

An outline map of Iraq in a light tan color, showing the country's borders and internal provincial boundaries. The map is positioned in the background of the page.

# **Special Inspector General for Iraq Reconstruction**

**Quarterly Report and  
Semiannual Report to the  
United States Congress**

**[July 30, 2008]**

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## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

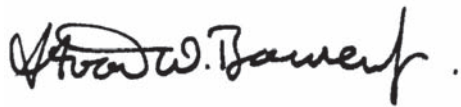
This 18th Quarterly Report to the Congress provides a new look at the relief and reconstruction effort in Iraq, presenting a province-by-province review of progress on reconstruction and capacity-building in four key areas of concern—economics, essential services, governance, and security. This new review catalogues a series of informative snapshots on the achievements and challenges affecting each of Iraq's 18 provinces.

The United States has now appropriated more than \$50 billion in taxpayer dollars for Iraq's reconstruction. The picture of provincial progress in Section 2 further amplifies how that money has been spent, updating the markedly mixed story that SIGIR has unfolded over the past four-and-a-half years through nearly 250 audits and inspections. Section 2 also breaks down the use of U.S. funds through the major accounts supporting Iraq reconstruction: the Iraq Relief and Reconstruction Fund (\$20.86 billion), Iraq Security Forces Fund (\$17.94 billion), Economic Support Fund (\$3.74 billion), and Commander's Emergency Response Program (\$3.49 billion). SIGIR's reporting jurisdiction covers each of these funding streams.

Progress on the Year of Transfer continued this quarter, with the most notable developments being the end of the Surge and the continuing growth in Iraq's oil revenues. The last of the five U.S. Surge brigades has drawn down as Iraqi security forces have increased their capacity to take responsibility for providing protection across Iraq. Another province, Qadissiya, transferred to Provincial Iraqi Control this quarter, leaving eight awaiting transfer. The Multi-National Security Transition Command-Iraq reports that Iraq's Ministries of Defense and Interior continue to shoulder more of the financial burden for supporting the operations, training, and equipping of Iraq's security forces. Iraq's burgeoning oil windfall, which has yielded more than \$33 billion in revenues to date in 2008, has prompted the Government of Iraq to pursue a supplementary budget this summer, which means that potentially \$7 billion in new funds could soon be budgeted to further support the country's continuing reconstruction program.

Section 3 of this Quarterly Report contains summaries of SIGIR's seven new audits and seven new inspections. On the audit front, SIGIR produced two more reviews of large Iraq Relief and Reconstruction Fund contracts, the latest in our focused financial audit series. Our audit of FluorAMEC's cost-plus contract for work in Iraq's water sector found that much less was accomplished under the contract than expected because the funding for the water sector was greatly reduced and sector projects were significantly more costly than anticipated. Our review of the security and justice contract issued to Parsons Delaware, Inc., found that only about one-third of the planned projects contemplated under this contract were completed and that millions of dollars in waste were likely associated with incomplete, terminated, and abandoned projects. Our audit team also reviewed the U.S. Embassy's anticorruption program, finding that much remains to be done to support Iraq's fight against corruption. And they reviewed the Iraq Reconstruction Management System, an important project-management database, finding that it requires significant updating. SIGIR's inspections this quarter include an assessment of the failed prison project at Kahn Bani Sa'ad. As that report reveals, more than \$40 million was spent on this ill-fated project, but its abandonment leaves no apparent prospect of being completed.

I am pleased to report that SIGIR's hard work was meritoriously recognized this quarter by the President's Council on Integrity and Efficiency. Specifically, SIGIR's audit team has been slated to receive a special award for outstanding performance, and our inspections team will receive a special award for its excellent report on the Mosul Dam project. I am gratified that SIGIR's efforts have been so recognized and remain proud of the professionalism, productivity, and perseverance that the SIGIR team continues to demonstrate in carrying out our unprecedented mission in Iraq—oversight under fire.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." followed by a period. The signature is written in a cursive, flowing style.

Stuart W. Bowen, Jr.  
Special Inspector General for Iraq Reconstruction

**SIGIR SUMMARY OF PERFORMANCE**  
AS OF JULY 30, 2008

**AUDITS**

Reports Issued	122
Recommendations Issued	329
Dollars Saved and Recovered	\$81,600,000
Dollars Put to Better Use	\$208,100,000
Challenged Payments	\$14,170,000

**INSPECTIONS**

Project Assessments Issued	122
Limited On-site Assessments Issued	96
Aerial Assessments	548

**INVESTIGATIONS**

Investigations Initiated	361
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Indictments	17
Convictions	8
Court-ordered Restitution/Forfeiture	\$17,414,000

**HOTLINE CONTACTS AS OF JUNE 30, 2008**

Fax	18
Telephone	74
Walk-in	110
E-mail	408
Referrals	26
Mail	28
<b>Total Hotline Contacts</b>	<b>664</b>

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\*The complete version of this SIGIR Quarterly and Semian-  
nual Report is available on the SIGIR website: [www.sigir.mil](http://www.sigir.mil). It is the official version of the report, containing all  
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## THE YEAR OF TRANSFER TO DATE

SIGIR's January Report designated 2008 as the "Year of Transfer" in Iraq relief and reconstruction, defining three measures to assess performance: transfer of reconstruction funding responsibility, transfer of U.S.-funded assets, and transfer of security responsibilities. Progress was achieved on each of these during this reporting quarter.

Completing Iraq's relief and reconstruction is now an Iraqi-led mission driven by Iraqi-developed and Iraqi-funded solutions. The management responsibilities for moving forward on national recovery have shifted into the hands of Iraq's national and local authorities, with the United States and the international community providing targeted support.

### TRANSFER OF RECONSTRUCTION FUNDING RESPONSIBILITY

In January of 2004, the U.S. government estimated that between \$50 and \$100 billion would

be needed to rebuild Iraq.<sup>1</sup> To date, \$118 billion in U.S., Iraqi, and international funds has been committed to the program. The Government of Iraq's (GOI) share of the investment for relief and reconstruction reached \$50 billion this quarter, equaling the cumulative U.S. investment. As Table 1.1 reveals, Iraq's current investment in relief and reconstruction is more than three times current U.S. investment.

### IRAQ'S CONTINUING INVESTMENT GROWTH

In a recent review of progress, conducted pursuant to the requirements of the *International Compact for Iraq* (Compact), the GOI noted that "Iraq is a rich country with skills and the wealth of its natural resources. Rather than aid, Iraq is looking for partnership and cooperation that will help it unlock its own resources."<sup>2</sup>

Deputy Prime Minister Barham Salih recently echoed the Compact's conclusion, noting that

U.S./GOI FUNDING FOR IRAQ RECONSTRUCTION, BY CALENDAR YEAR (\$ BILLIONS)

	2003/2004	2005	2006	2007	2008/2009
United States	\$23.07	\$6.61	\$7.28	\$9.33	\$4.17
GOI	\$16.00	\$5.03	\$6.18	\$10.06	\$13.06
<b>Total</b>	<b>\$38.06</b>	<b>\$11.61</b>	<b>\$13.15</b>	<b>\$18.60</b>	<b>\$17.43</b>

**Sources:** GOI, *Republic of Iraq: Budget Revenues and Expenses 2003*, July–December; Presidency of the Iraqi Interim National Assembly: *The State General Budget for 2005*; GOI 2006 Budget (as approved by TNA and written into law December 2005); U.S. Treasury, response to SIGIR data call (10/15/2007, 1/4/2008); GOI Budget 2008: Overview of Revenue and Expenditure, 2007–2008; Ministry of Finance, "Iraqi Federal Budget 2008," provided by the U.S. Treasury (6/29/2008).

**Note:** Numbers are affected by rounding. U.S. appropriations shown reflect cumulative totals of funds enacted in each calendar year.

TABLE 1.1

“Iraq does not need financial assistance.” The recent Compact review also highlighted areas of progress in Iraq, including the issuance of more than 2,000 licenses to establish new private sector businesses in 2007.<sup>3</sup>

### Oil Windfall

Unlike Afghanistan, Iraq has abundant financial resources to fund relief and reconstruction projects. Last November, the GOI estimated that oil income in 2008 would amount to \$35 billion. But with oil now hovering around \$125 per barrel—about five times what it was five years ago—and Iraq’s oil production at record levels, SIGIR estimates that oil revenues for 2008 could exceed \$70 billion.



Along with Iraq’s burgeoning oil revenues, significant amounts of unspent money from the 2006 and 2007 Iraqi budgets remain available for further infrastructure investment by the GOI.

### Budget Execution

Notwithstanding its significant fiscal resources, Iraq continues to struggle to execute its capital budgets. In 2006, the GOI reported that it executed 22% of its capital budget. That rate notably increased to 63% in 2007, but execution rates of provincial capital budgets continue to be low. As

of March 2008, only 2.7% of the cumulative capital budgets allocated to the provinces (excluding the Kurdistan Regional Government) for 2008 had been expended.<sup>4</sup>

To address budget execution problems, the GOI raised limits on contract authorization at the ministry level to \$50 million for key ministries and to \$10 million for the provinces. The GOI also eliminated the Central Contracts Committee, which had been attached to the Economic Affairs Committee of the Council of Ministers, replacing it with contract committees within ministries.

The Procurement Assistance Centers continue to support national and provincial training efforts and guided technical assistance projects to improve budget execution. But continued slow progress on implementing the new Iraqi Financial Management Information System (IFMIS) limits the transparency and efficiency of Iraq’s budgeting system.

### THE FUTURE OF U.S. INVESTMENT

On June 30, 2008, the President signed into law the Supplemental Appropriations Act, 2008 (the Supplemental), which includes conditions-based restrictions on the use of certain appropriated U.S. funds for Iraq. The most significant new condition requires that U.S. reconstruction funds be made available only to the extent that the GOI matches them on a dollar-for-dollar basis. This provision applies to new U.S. assistance provided through the Department of State and the U.S.

Agency for International Development. Additionally, the Congress implemented these other conditions:

- the submission of new anticorruption strategies
- the development of more detailed plans for future Provincial Reconstruction Team (PRT) activities
- the execution of an asset-transfer agreement between the United States and Iraq
- a prohibition on new prison construction

SIGIR previously highlighted the problems with prison construction in Iraq. Those problems are most acutely reflected in this quarter's inspection of the failed Kahn Bani Sa'ad Correctional Facility project. See *SIGIR Inspections* in Section 3.

The Supplemental contained approximately \$4.2 billion in new funds for Iraq's relief and reconstruction, appropriated through the Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), Commander's Emergency Response Program (CERP), and International Narcotics Control and Law Enforcement Affairs Fund (INCLE).

With its passage, U.S. investment in Iraq's reconstruction achieved these milestones:

- **ISFF.** Total appropriations for the ISFF reached \$17.9 billion, almost equaling the \$18.4 billion appropriated to the Iraq Relief and Reconstruction Fund 2. Total U.S. funding for Iraq security now stands at \$27 billion,<sup>5</sup> equaling about \$56,000 per Iraqi police officer, soldier, and security officer.<sup>6</sup>
- **CERP.** New appropriations of \$800 million for the CERP pushed total appropriations to \$3.5 billion, almost equaling the total amount appropriated to the ESF, which has received \$3.7 billion. Since 2004, CERP funding has increased by 80%. The Congress has raised concerns about risks arising from weak metrics for measuring CERP performance.
- **ESF.** ESF received a total of \$527 million in FY 2008 supplemental and FY 2009 bridge funding, increasing total U.S. appropriations to the fund by over 16%.

Although the Supplemental provides new funding for Iraq's relief and reconstruction, significant amounts of unobligated funds from prior-year appropriations await execution. For the status of major U.S. funding accounts, see Table 1.2.

## TRANSFER OF ASSETS

The transfer and sustainment of U.S.-funded assets to the GOI continues to be a key challenge. As SIGIR previously reported, there exists a continuing need for a new and definitive asset-transfer agreement between the United States and the GOI. The lack of such an agreement has resulted in the unilateral transfer of many projects to the GOI without formal acceptance, increasing the risk that the U.S. investment in Iraq will be wasted. SIGIR currently is executing another review of the asset-transfer process, which will appear in the next Quarterly Report.

## STATUS OF MAJOR U.S. RECONSTRUCTION ACCOUNTS (\$ BILLIONS)

U.S. FUND	APPROPRIATED	OBLIGATED	% OBLIGATED	EXPENDED	% EXPENDED
IRRF 2	\$18.39	\$17.82	97%	\$17.13	93%
ISFF	\$17.94	\$12.61	70%	\$9.93	55%
ESF	\$3.74	\$2.62	70%	\$1.53	41%
CERP	\$3.49	\$2.88	83%	\$2.40	69%
<b>TOTAL</b>	<b>\$43.56</b>	<b>\$35.93</b>	<b>82%</b>	<b>\$30.99</b>	<b>71%</b>

IRRF 2: DoS, *Iraq Weekly Status*, July 2, 2008. ISFF: OSD, response to SIGIR data call, July 9, 2008. ESF: DoS, *Section 2207 Report*, October 2007; ITAO, responses to SIGIR data call, January 4, June 29, and July 7, 2008; GRD, response to SIGIR data call, July 2, 2008; USAID, responses to SIGIR data call, June 29, July 1, July 15, and July 17, 2008; ITAO, *Essential Indicators Report*, July 10, 2008; OMB, response to SIGIR data call, January 2, 2008. CERP: OSD, response to SIGIR data call, July 18, 2008; INL, response to SIGIR data call, July 2, 2008.

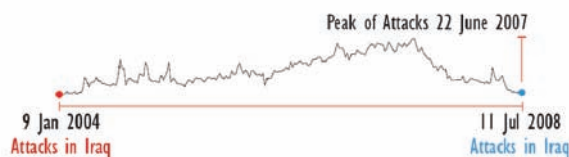
Note: Numbers are affected by rounding.

TABLE 1.2

## TRANSFER OF SECURITY

The last of the five U.S. Surge brigades redeployed out of Iraq in July. The Commanding General in Iraq, General David Petraeus, is now in the midst of a 45-day evaluation period, and he will make further recommendations on troop levels by September.

The surge is partially responsible for the drop in the total number of security incidents to 2004 levels.<sup>7</sup> Iraqi civilian deaths are 75% lower than July 2007 levels, which was the high point of violence in Iraq.<sup>8</sup>



Key developments in the security sector this quarter notably include successful operations by Iraqi Security Forces in Basrah, Sadr City, Mosul, and Amara. The Sons of Iraq program—which employs Sunnis in the security sector—now has more than 100,000 members; a new Daughters of Iraq component also has been established.

## PROVINCIAL IRAQI CONTROL

After a seven-month lull in the process, another province was transferred to Provincial Iraqi Control (PIC) this quarter. With the transfer of Qadissiya, 10 of 18 provinces (comprising 42% of the population) have now been turned over to Iraqi security control. Anbar is scheduled to transfer next. The GOI has stated that it could assume full security responsibility of all provinces by the end of 2008, although the scheduled PIC process extends into 2009.<sup>9</sup>

## FUNDING FOR THE IRAQI SECURITY FORCES

A new SIGIR review of ISFF funding revealed that \$4.7 billion, or approximately one-third of all ISFF funding, has been programmed for infrastructure. Unobligated balances for infrastructure projects amount to more than \$1 billion, which means that ISFF-supported security construction projects could continue into 2010. See *SIGIR Audits* in Section 3.

## CONTRACTOR IMMUNITY

Negotiations continue between the United States and the GOI on a strategic framework governing

the U.S. presence in Iraq beyond the end of 2008. From a relief and reconstruction perspective, one of the most critical issues under discussion is contractor immunity. Existing agreements provide U.S. contractors in Iraq with blanket immunity from prosecution under Iraqi law. But the GOI is seeking to modify, if not eliminate, that immunity. Such action would acutely affect

the status of private security contractors in Iraq. SIGIR estimates that about 70 private security companies have operated in country since 2003, with cumulative contract values totaling approximately \$4.5 billion. The removal of immunity could lead to a contractor exodus, which would impose significant limitations on U.S. relief and reconstruction operations.

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## NATIONWIDE RECONSTRUCTION

The U.S. reconstruction program continues to assist the GOI to improve the delivery of basic services, to promote stable governance, and to foster economic development. Section 2b of this Report examines how the United States is working to help Iraq achieve these goals through reconstruction and capacity-development initiatives.

Essential services in Iraq improved this quarter, but they remain uneven and are not adequate to meet current demand. Improved security across the country has helped reduce attacks on oil pipelines, and the electricity sector's expanded operations and maintenance programs have helped push grid production up. The GOI still struggles to develop effective water and sewer services; emblematic of this struggle is the fact that two-thirds of the raw sewage produced in Baghdad flows untreated into rivers and waterways.<sup>10</sup>

### GOI PURCHASE OF U.S. PRODUCTS

The GOI has significantly increased spending on U.S.-made products, funding more than \$8 billion in procurements, including a nearly \$5 billion order for Boeing aircraft and a \$500 million order for General Electric power-generation equipment. Iraq made progress this quarter in its U.S. Foreign Military Sales (FMS) program, through which it uses its money to purchase defense equipment from the United States using U.S. procurement processes. The GOI has already committed \$2.5 billion of the \$2.9 billion set aside for the program.

### U.S. EFFORTS BUILD IRAQI BUSINESS CAPABILITIES

The Iraqi-based Industrial Zone (I-BIZ) initiative is a new DoD innovation that is building Iraqi capacity. Through I-BIZ, the U.S. military establishes secure centers next to Coalition bases where privately owned small and medium-sized Iraqi businesses can operate.<sup>11</sup>



Pipeline Exclusion Zone in Kirkuk: A success story in the resurgence of Iraq's oil industry.

The Iraqi First program continues to help grow the Iraqi economy by emphasizing the award of U.S.-funded reconstruction contracts to Iraqi firms. This quarter, five of the six project sites visited by SIGIR inspectors were awarded to local contractors. For executive summaries of these and other inspections, see *SIGIR Inspections* in Section 3.

Iraq's Electronic Funds Transfer (EFT) system expanded this quarter. Catalyzed by investment from the Joint Contracting Command-Iraq/Afghanistan, which has used the system to transmit more than \$100 million in contract payments, the EFT program now reaches bank branches in many Iraqi provinces. Implementing EFT is key to cutting down on corruption in the banking and contracting systems.

The GOI has reportedly committed to spend \$400 million to restart its state-owned enterprises (SOEs); \$50 million in U.S. funds has already been appropriated to support 34 restarted factories, reportedly creating 25,000 new jobs. SIGIR's new overview of this U.S. program is in Section 3.

## OIL PRODUCTION RECORD

Iraqi oil production this quarter reached 2.43 million barrels per day, the highest quarterly

average since the 2003 invasion. This increase stems in part from improved security across Iraq and the success of the Pipeline Exclusion Zone (PEZ) program. The \$34 million Kirkuk-to-Baiji PEZ segment is a system of ditches, berms, fences, and concertina wire protecting oil pipelines, which are secured by Iraqi security forces. The success of the program is evident in the fact that there have been no successful attacks on northern oil lines this year.

SIGIR conducted an inspection of the PEZ segment from Kirkuk to Baiji this quarter. A summary of the report is in Section 3. Work also began this quarter on the next leg of the PEZ, which will extend from Baiji south to Baghdad.

## ELECTRICITY CAPACITY GROWING

Growth continues in Iraq's electricity sector. On July 8, 2008, peak generation reached 5,615 MW,<sup>12</sup> and substantial increases in generation capacity are expected as projects come online toward the end of this year, which could add up to 1,600 MW to the grid. Publicly available power—which is provided virtually without fees—meets approximately 55%<sup>13</sup> of demand. Private generators make up for much of the shortfall.



## GOVERNANCE

The GOI faces several important governance hurdles that it must address this year to promote political reconciliation.

### KEY LEGISLATION STILL STALLED

As SIGIR previously reported, there remains a critical need for new provincial elections. Such elections are an essential element to achieving political reconciliation across Iraq.

The **Provincial Powers Law**, which came into effect in February, provided that provincial elections should occur in October 2008, but further supporting legislation is needed before these elections can occur. It does not appear that the GOI will approve and implement the legislation necessary to hold provincial elections this year.

Progress remains stalled on the **Hydrocarbon Laws**. The primary points of disagreement continue to be disputes over control of the Kirkuk oil fields and the level of management authority vested in the central government.

The GOI has implemented several other laws, including the **Amnesty Law** and the **Justice and Accountability (De-Ba'athification) Law**. The Amnesty Law resulted in the release of 79% of the prisoners held by the GOI.<sup>14</sup> The successful reconciling effects of these two laws was evidenced recently when the Sunni political bloc (Tawafiq) ended its boycott of the Council of Ministers.

### NORMALIZING INTERNATIONAL RELATIONS

This quarter, the United Arab Emirates (UAE) and Kuwait appointed ambassadors to Iraq, the first Gulf States to do so. Normalizing relations with its neighboring Gulf nations is essential for Iraq to stabilize. Similarly, continued progress on reducing Iraq's international debt will promote stability. In this regard, UAE recently announced that it will forgive the Iraqi debt it holds, totaling about \$7 billion.<sup>15</sup>

## REBUILDING THE PROVINCES

The responsibility for moving forward on reconstruction in Iraq has shifted to Iraqi national and local authorities, with the U.S. and the international community playing important supporting roles. Provincial Reconstruction Teams, which lead Coalition support at the local level, are increasingly moving into provinces that they previously had not reached. Section 2c of this Report reviews progress in the 18 Iraqi provinces, providing snapshots of the ongoing reconstruction activities within each of them.

This quarter, SIGIR notes these important developments in the provinces:

- **Two New PRTs in Kerbala and Najaf.** Two U.S. PRT teams—Najaf and Kerbala—have moved out into provinces without U.S. military presence. This is a significant milestone in

this evolving program because the U.S. teams are located on bases of the Iraqi Army Eighth Infantry Division.<sup>16</sup>

- **First ATM in Diyala.** This quarter, the first automatic teller machine opened in Baquba, the capital of Diyala.

During a visit to Diyala province this quarter, SIGIR learned that PRT officials in that province are assisting the provincial government with expenditure of its 2006 budget—which is still just 85% expended. Moreover, Diyala has yet to spend its 2007 or 2008 budgets, and when asked to submit a request for supplemental funds in 2008, the Provincial Council declined.<sup>17</sup>

## SIGIR OVERSIGHT

### AUDITS AND INSPECTIONS

This quarter, SIGIR issued two capping reports assessing and analyzing SIGIR's previous audits and inspections. The audit capping report identified four key contributing causes to program deficiencies:

- the need to better understand the potential impact of an unstable security environment on contingency reconstruction efforts
- the need for an integrated organizational management structure that provides effective

interagency coordination and program accountability

- the need to attract, develop, and retain qualified program and contract management personnel who can effectively implement reconstruction programs
- the need to work closely with host-country government officials to develop reconstruction projects and programs that they want and that will be maintained



Kahn Bani Sa'ad Correctional Facility: A \$40 million project, incomplete and abandoned.

The inspections capping report found similar patterns caused by these shortfalls:

- poorly trained or unqualified contractor personnel
- the use of inferior or inadequate construction materials
- weak government quality assurance programs

Of the 115 projects assessed by SIGIR to date, 41 were found to have no deficiencies. Successful projects were chiefly due to effective quality control management by the contractor and good quality assurance programs by the government.

SIGIR has now completed seven focused contract reviews of the largest IRRF contractors, with two issued this quarter. The new review of task orders valued at \$367 million awarded to Parsons Delaware, Inc., for security and justice projects, found that only one-third of the original projects were completed. Moreover, more than \$140 million of the contract funds were paid for projects that were either terminated or canceled. The most egregious failure was the Kahn Bani Sa'ad Correctional Facility in Diyala province, a \$40 million structure that was eventually abandoned

by U.S. reconstruction managers along with over a million dollars worth of material and equipment left onsite.

A SIGIR inspection of Kahn Bani Sa'ad this quarter found that, although security concerns affected the project, the quality of construction was so poor that some sections need to be demolished and reconstructed.

SIGIR's focused contract review of work in the water sector by FluorAMEC revealed that half of the planned work was canceled due to sector funding constraints. Most of the canceled projects were terminated before substantial costs were incurred. The work that FluorAMEC did complete, however, was generally well done.

A SIGIR audit this quarter found that the Iraq Reconstruction Management System (IRMS), the system created by the U.S. government to keep track of projects, is not being properly used. Although the majority of expensive infrastructure projects are now complete, hundreds of significant projects are still ongoing, and IRMS should be the basis for keeping track of them.

## INVESTIGATIONS

As of June 30, 2008, the work of SIGIR investigators has resulted in 16 arrests, 17 indictments, 8 convictions, and more than \$17 million in fines, forfeitures, recoveries, and restitutions. Five defendants are pending trial in September 2008, and an additional four defendants await the scheduling of trial dates.

Since SIGIR's last Quarterly Report, the

Procurement Fraud Branch suspended 19 more individuals and companies, bringing the total suspensions to date to 77. In addition, 8 individuals and companies have been proposed for debarment by the Army, bringing the total proposed debarments to 43. Total debarments remain at 25. For more on SIGIR's investigative work, see *SIGIR Investigations* in Section 3.

## THE HUMAN TOLL

Attacks on the International Zone, which spiked in March and early April, tapered off significantly as the GOI gradually reasserted its control over Sadr City. Nonetheless, violence continues to pose a deadly threat to personnel involved in reconstruction activities.

## CASUALTIES

The United States lost several citizens serving the reconstruction program in Iraq:

- On June 24, Steve Farley, a DoS employee serving on the ePRT for the Sadr City and Adhamiyah districts of Baghdad, was killed when a bomb exploded at a local council meeting in Sadr City.<sup>18</sup> Two U.S. Army soldiers and two DoD civilian employees also died in this attack. This bombing occurred the day after a similar incident in a town southeast of Baghdad, in which a local politician opened fire on U.S. troops as they were about to enter a city council building near Salman Pak. At least two U.S. soldiers were killed in this attack.<sup>19</sup>

- This quarter, the Department of Labor (DoL) reported 48 new death claims for civilian contractors working on U.S.-funded projects in Iraq. Since 2003, 1,229 death claims have been filed with DoL.
- DoS reported that 15 U.S. civilians died in Iraq this quarter. Since the beginning of the U.S. reconstruction effort, 271 U.S. civilians have died in Iraq.
- Two journalists were killed in Iraq this quarter. According to the Committee to Protect Journalists, 129 journalists and 50 media support personnel have been killed in Iraq since March 2003.<sup>20</sup>

This quarter, U.S. Embassy personnel began moving into the \$788 million New Embassy Compound,<sup>21</sup> and the hardening of housing for U.S. mission personnel at selected sites in the International Zone is underway. Also, in June 2008, the World Health Organization (WHO) established a permanent office in Baghdad. The

Special Representative for Iraq of the United Nations Secretary General stated that WHO's decision demonstrates the UN's intention to render increased assistance to the people of Iraq.<sup>22</sup>

### REFUGEES

Effective July 7, 2008, a new immigrant visa will allow up to 5,000 Iraqi contractors and their families to enter the United States as immigrants each year for the next five years.<sup>23</sup> Iraqi citizens who were employed by the U.S. government or U.S. government contractors in Iraq on or after March 2003 for at least one year are eligible for this special visa. The worker must have provided "faithful and invaluable" service to the U.S. government.

# UPDATE ON THE YEAR OF TRANSFER

## OVERVIEW

### 2a U.S. RECONSTRUCTION FUNDING

### 2b RECONSTRUCTION ACROSS IRAQ

#### OVERVIEW

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## SECTION 2

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# 2

## OVERVIEW

As of June 30, 2008, \$117.79 billion had been made available for the reconstruction of Iraq through U.S. appropriations, Iraqi funds, and international aid.<sup>24</sup> For an overview of funding for Iraq reconstruction, see Figure 2.1.

In January 2008, SIGIR reported that Iraq had overtaken the United States in total funding for Iraq reconstruction. Now, at the midpoint of the Year of Transfer, Iraq continues to increase its share of funding for reconstruction priorities, and the Congress has linked the use of new U.S. appropriations to Iraq's success in meeting certain benchmarks. The Supplemental Appropriations Act, 2008, further requires that appropriated funds provided through the Department of State (DoS) and the U.S. Agency for International Development "shall be made available only to the extent that the Government of Iraq matches such assistance on a dollar-for-dollar basis."<sup>25</sup>

### U.S. APPROPRIATIONS (\$50.46 BILLION)

Since 2003, the United States has appropriated \$50.46 billion for Iraq reconstruction assistance. The Congress provided \$6.46 billion in FY 2008, including \$4.17 billion in the Supplemental Appropriations Act, 2008, which the President signed on June 30, 2008. See Figure 2.2 for an overview of U.S. reconstruction spending.

SIGIR has oversight of all U.S. appropriated funding for the reconstruction of Iraq, which includes 33 separate accounts. More than 90% of

all appropriated funding has been made available in four major accounts:

- Iraq Relief and Reconstruction Fund (IRRF)
- Iraq Security Forces Fund (ISFF)
- Economic Support Fund (ESF)
- Commander's Emergency Response Program (CERP)

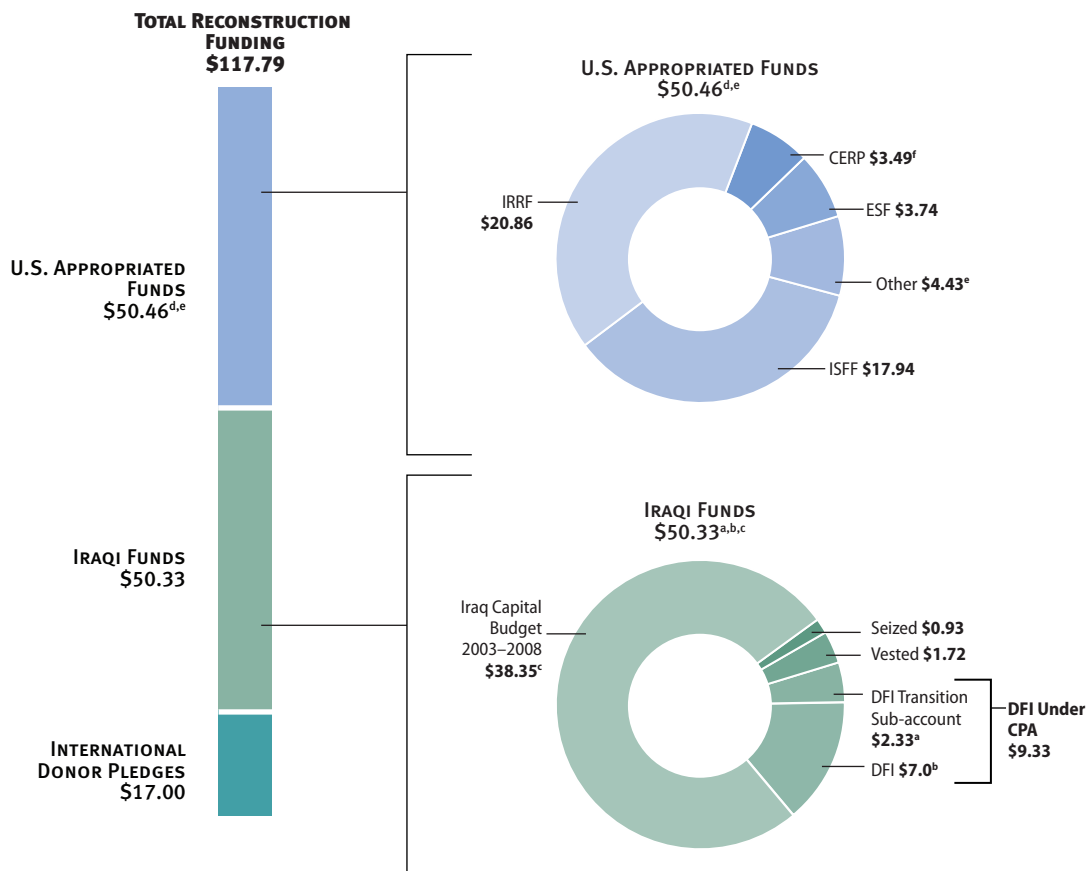
For updated information on the U.S. appropriations for Iraq relief and reconstruction, including allocations, obligations, and expenditures, see Table 2.1.

Table 2.2 presents the best information available for U.S. appropriated funding but does not provide a complete picture of all U.S. relief and reconstruction activities. SIGIR has requested funding information but has not been provided with complete detail on funding for narrowly focused programs of some agencies or the use of agency operating funds for projects in Iraq. However, SIGIR has included estimates for selected accounts, which are reflected in the table's reference notes.

Appendix D cross-references budget terms associated with the IRRF, ISFF, ESF, CERP, and international support for Iraq reconstruction. IRRF sectors have been defined differently by the U.S. Army Corps of Engineers, Gulf Region Division (GRD); DoS; P.L. 108-106; and SIGIR. Appendix E provides a cross-reference of this terminology. For more information on the background and history of each of the four main

Figure 2.1

**SOURCES OF IRAQ RECONSTRUCTION FUNDING—\$117.79 BILLION**  
\$ Billions



Note: Numbers are affected by rounding.

<sup>a</sup> Includes August 11, 2004 transfer of \$86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.

<sup>b</sup> In previous Quarterly Reports, SIGIR reported approximately \$20 billion in DFI cumulative deposits to fund Iraqi government operations and reconstruction programs. SIGIR has refined that number to reflect only reconstruction funding, which is approximately \$7 billion, according to GAO Report 05-876 (July 28, 2005, p. 2).

<sup>c</sup> For a discussion of Iraqi capital budget expenditures, see section 2b in this Report.

<sup>d</sup> For the description of funding changes in U.S. appropriations since the last quarterly report, see the endnote referenced in the first paragraph of this overview.

<sup>e</sup> May include humanitarian aid or other types of assistance.

<sup>f</sup> Includes an estimate of \$800 million under P.L. 110-252 provided by OSD/Policy in a response to SIGIR, July 16, 2008.

funding streams, see Appendix F; and for IRRF apportionments by agency, see Appendix G.

## IRRF

The IRRF program is now largely complete. Under the Supplemental Appropriations Act, 2008, the Congress rescinded \$50 million of remaining unexpended obligations. Since 2003, the Congress has appropriated \$20.86 billion for

reconstruction through the IRRF in two appropriations: P.L. 108-11 (IRRF 1) and P.L. 108-106 (IRRF 2).<sup>26</sup> IRRF 1 funds are no longer available for new obligations. The balance of funds obligated but not expended are only available for claims and adjustments toward existing contracts.<sup>27</sup>

For more information on the latest rescission to the account, see Table 2.1 and Section 2a, *U.S. Reconstruction Funding*.



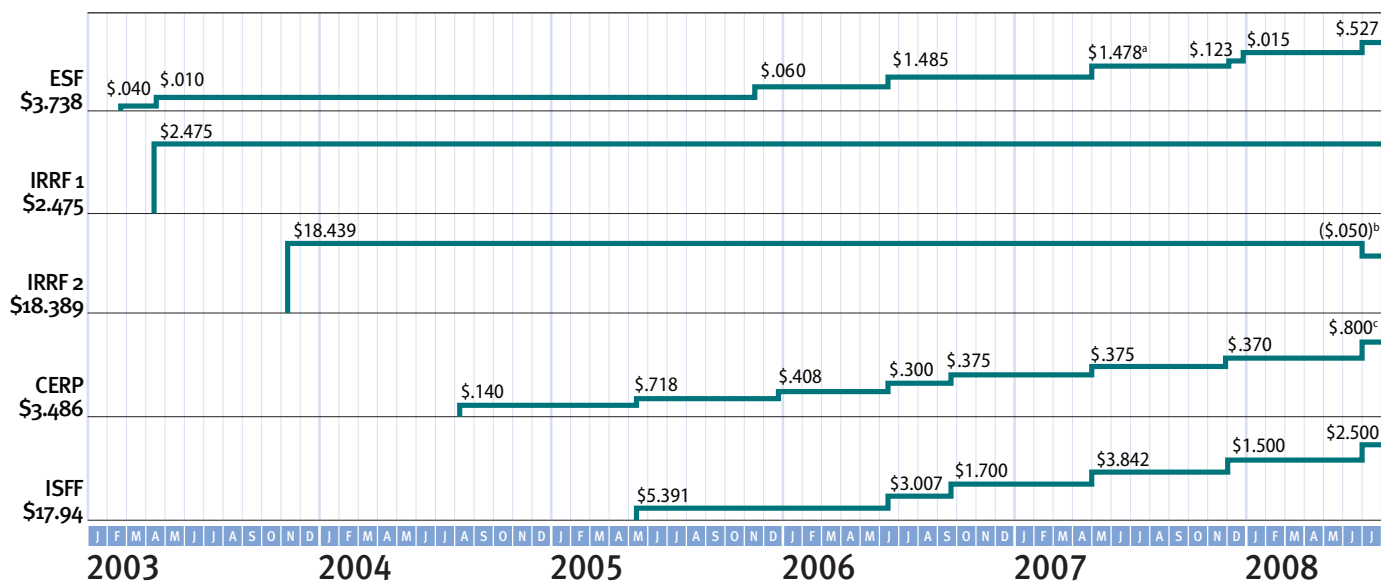
# OVERVIEW

Figure 2.2

## TIMELINE OF U.S. APPROPRIATIONS

\$ Billions

Source: SIGIR Analysis of Iraq Reconstruction Appropriated Funding



Note: Funding totals are not to scale.

<sup>a</sup> Includes FY 2007 rescission of \$76 million under P.L. 110-28.

<sup>b</sup> Includes FY 2008 rescission of \$50 million under P.L. 110-252.

<sup>c</sup> Estimate of \$800 million appropriated to the CERP under the Supplemental Act, 2008 (P.L. 110-252) was provided by OSD/Policy in a response to SIGIR on July 16, 2008.

## ISFF

Appropriations to the ISFF now almost equal those for the IRRF 2, with total funding to date of \$17.94 billion, including \$2.5 billion made available this quarter under P.L. 110-252 in FY 2008 supplemental funds and FY 2009 bridge funding. This Department of Defense (DoD) account was created on May 11, 2005, to fund activities in support of the Iraqi Security Forces (ISF). The ISFF provides training, equipment, and other support for the Iraqi Ministry of Defense and Ministry of Interior. For in-depth discussion of these ministries, see Section 2b, *Reconstruction across Iraq*.

## ESF

Funding for ESF programs has been climbing in a series of appropriations, including nearly \$530 million made available under P.L. 110-252 in FY 2008 supplemental funds and FY 2009 bridge funding. Now totaling nearly \$3.74 billion, the ESF is a bilateral economic assistance fund used to promote foreign policy objectives in support of

U.S. allies and countries in democratic transition.<sup>28</sup> At the local level, ESF funds are directed toward fostering economic development and job creation through small-scale projects as well as local capacity development through Provincial Reconstruction Teams (PRTs). Nationally, the ESF is used to develop capacity in Iraq's ministries.

## CERP

Under the Supplemental Appropriations Act, 2008, the CERP received approximately \$800 million, and appropriations now total \$3.49 billion.<sup>29</sup> Since May 2003, CERP has been used to produce targeted local relief and reconstruction efforts throughout Iraq. In addition to providing rapid relief projects, the CERP provides employment opportunities for Iraqis.<sup>30</sup> CERP funds are under the authority of Multi-National Corps-Iraq (MNC-I) and implemented at the Multi-National Division level.<sup>31</sup>

This quarter, the Government of Iraq (GOI)

## U.S. SUPPORT FOR IRAQ RECONSTRUCTION (\$ BILLIONS)

U.S. FUND	APPROPRIATED	ALLOCATED	OBLIGATED	EXPENDED
IRRF 1	\$2.48	\$2.27	\$2.27	\$2.25
IRRF 2	18.39	18.35	17.82	17.13
<b>IRRF Total</b>	<b>\$20.86</b>	<b>\$20.62</b>	<b>\$20.09</b>	<b>\$19.38</b>
ISFF FY 2005	\$5.39	\$5.39	\$5.30	\$5.21
ISFF FY 2006	3.01	3.01	2.91	2.43
ISFF FY 2007	5.54	5.54	4.15	2.28
ISFF FY 2008	3.00	1.50	0.26	-
ISFF 2009 Bridge	1.00	-	-	-
<b>ISFF Total</b>	<b>\$17.94</b>	<b>\$15.44</b>	<b>\$12.61</b>	<b>\$9.93</b>
ESF FY 2003	\$0.05	\$0.05	\$0.05	\$0.05
ESF FY 2006	1.55	1.53	1.34	1.01
ESF FY 2007	1.60	1.57	1.22	0.47
ESF FY 2008	0.44	0.01	-	-
ESF FY 2009 Bridge	0.10	-	-	-
<b>ESF Total</b>	<b>\$3.74</b>	<b>\$3.16</b>	<b>\$2.62</b>	<b>\$1.53</b>
CERP FY 2004 <sup>a</sup>	\$0.14	\$0.09	\$0.09	\$0.08
CERP FY 2005	0.72	0.70	0.70	0.66
CERP FY 2006	0.71	0.69	0.69	0.61
CERP FY 2007	0.75	0.74	0.74	0.64
CERP FY 2008	1.17	0.66	0.66	0.40
<b>CERP Total</b>	<b>\$3.49</b>	<b>\$2.88</b>	<b>\$2.88</b>	<b>\$2.40</b>
Other Funding	4.43	0.17	0.17	0.04
<b>Total U.S. Appropriated</b>	<b>\$50.46</b>	<b>\$42.27</b>	<b>\$38.37</b>	<b>\$33.28</b>

Sources: IRRF 1: USAID, response to SIGIR data call, July 10, 2008; Treasury, response to SIGIR data call, July 3, 2008; USTDA, response to SIGIR data call, July 1, 2008; DoS, response to SIGIR data call, April 5, 2007; DFAS, response to SIGIR data call, July 7, 2008. IRRF 2: DoS, *Iraq Weekly Status*, July 2, 2008. ISFF: OSD, response to SIGIR data call, July 9, 2008. ESF: DoS, *Section 2207 Report*, October 2007; ITAO, responses to SIGIR data call, January 4, June 29, and July 7, 2008; GRD, response to SIGIR data call, July 2, 2008; USAID, responses to SIGIR data call, June 29, July 1, July 15, and July 17, 2008; ITAO, *Essential Indicators Report*, July 10, 2008; OMB, response to SIGIR data call, January 2, 2008. CERP: OSD, response to SIGIR data call, July 18, 2008; INL, response to SIGIR data call, July 2, 2008.

Note: Numbers are affected by rounding.

<sup>a</sup> Complete FY 2004 CERP obligation and expenditure data was not provided in time for the publication of this Quarterly Report. SIGIR will provide more detailed reporting in the October 2008 Quarterly Report.

TABLE 2.1

began a new program to implement projects—funded by Iraq—through U.S. CERP reconstruction managers. This new program, called I-CERP, leverages U.S. procurement, disbursement, and accountability mechanisms to execute urgently needed reconstruction projects for the benefit of the Iraqi people by using Iraqi funds.

## IRAQI FUNDING (\$50.33 BILLION)

Since 2003, Iraq has allocated \$38.35 billion for reconstruction through its capital budgets.<sup>32</sup> Cumulative Iraqi funding totals also include seized funds from the former Iraqi regime, vested

Iraqi funds that were held in U.S. banks, and the Development Fund for Iraq (DFI), which was created to hold oil revenue and other Iraqi assets, including:

- \$9.33 billion in DFI assets
- \$1.72 billion in vested funds
- \$0.93 billion in funds seized by the Coalition forces

New 2008 oil revenue will be appropriated through an Iraqi 2008 supplemental. For more information on the Iraqi capital budget, see Section 2b, *Reconstruction across Iraq*.

## OVERVIEW

[illegible]

## U.S. APPROPRIATIONS FOR IRAQ RELIEF AND RECONSTRUCTION (\$ THOUSANDS)

FUNDING MECHANISM	PL. 108-7	PL. 108-11	PL. 108-106	PL. 108-287	PL. 109-13	PL. 109-102	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, STATE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007	ACCOUNTABILITY APPROPRIATIONS ACT, 2007	2007 FOREIGN ASSISTANCE CONTINUING RESOLUTIONS	CONSOLIDATED APPROPRIATIONS ACT, 2008	SUPPLEMENTAL APPROPRIATIONS ACT, 2008 (INCLUDES FY 08 AND FY 09 BRIDGE FUNDING)	TOTAL APPROPRIATIONS
Public Law #	2/20/2003	4/16/2003	11/6/2003	8/5/2004	5/11/2005	11/14/2005	12/30/2005	6/15/2006	9/29/2006	PL. 110-116, PL. 110-137, PL. 110-149	PL. 110-28	PL. 110-116, PL. 110-137, PL. 110-149	PL. 110-161	PL. 110-252	
Date of Enactment															
Combatant Coalition Initiative Fund (CINC Initiative Fund)		3,612													3,612
U.S. Marshals Service (Litigation Support Services)						693		1,000				1,138	242	1,648	2,648
International Military Training (IMET)															2,073
Department of Justice; litigation support															1,648
Other Assistance Programs totals	\$68,000	\$833,712	\$57,000	\$0	\$0	\$693	\$0	\$105,400	\$0	\$551,398	\$64,686	\$221,767	\$291,148	\$2,193,804	
Reconstruction-related Operational Costs															
Coalition Provisional Authority (CPA) <sup>a</sup>			908,000					200,000			630,000				908,000
Project and Contracting Office <sup>f</sup>															830,000
Special Inspector General for Iraq Reconstruction (SIGIR)			75,000					24,000			35,000			39,000	173,000
Iraq Freedom Fund (PRT Administrative Costs)											100,000				100,000
USAID Administrative Expenses <sup>g</sup>		21,000			24,400			79,000						48,559	172,959
United States Agency for International Development; Office of Inspector General (USAID OIG)		3,500	1,900		2,500						2,756	542	3,025	2,500	16,723
Defense Contract Audit Agency (DCAA) <sup>h</sup>											16,372				16,372
DoS; Office of Inspector General								1,000			1,300	1,500	1,300	7,500	12,600
DoD Office of the Inspector General								5,000							5,000
Reconstruction-related Operational Costs	\$24,500	\$984,900	\$0	\$26,900	\$0	\$0	\$0	\$309,000	\$0	\$785,428	\$2,042	\$4,325	\$97,559	\$2,234,654	
Grand Total: All U.S. Appropriated Funds	\$108,000	\$3,343,212	\$19,480,900	\$140,000	\$6,135,900	\$61,083	\$408,000	\$5,206,400	\$2,075,000	\$7,032,526	\$189,528	\$2,110,971	\$4,165,207	\$50,456,727	

a \$18.439 billion represents the amount appropriated by the Congress for Iraq programs in IRRF 2 under P.L. 108-106, enacted in November 2003. The Congress had initially appropriated \$18.649 billion to the IRRF 2, but also earmarked that \$210 million be transferred to other accounts for programs in Jordan, Liberia, and Sudan. Of the remaining \$18.439 billion, the Administration transferred out of the IRRF to other accounts roughly \$562 million for Iraq-related programs that could be implemented only in other accounts, such as a \$352 million Iraq bilateral debt forgiveness program to the United States that required funding in a Treasury account. The Congress was notified of all transfers out of the IRRF. In addition, in FY 2006 appropriations, Congress earmarked that \$9.95 million be transferred into the IRRF from the DoS Economic Support Fund account. Also includes \$50 million rescission as identified in HR 2642.

b The Congress appropriated \$500 million in CERP funding under P.L. 110-161; DoD allocated \$370 million for Iraq and \$130 million for Afghanistan. The estimate of \$800 million appropriated to the CERP under the Supplemental Act, 2008 (P.L. 110-252) was provided by OSD/Policy in a response to SIGIR on July 16, 2008.

c Includes \$40 million from FY 2003 ESF base account that was not reimbursed and \$10 million from P.L. 108-11. The FY 2007 ESF Emergency Supplemental includes a \$76 million rescission including \$40 million for Emergency Assistance and Migration and \$36 million for Emergency Assistance under HR 2642. Is subject to change pending final worldwide allocation of these two funds.

d For FY 2007, the SIGIR report for Iraq Reconstruction support funding is provided for Project and Contracting Office activities.

e For FY 2007, the SIGIR report for Iraq Reconstruction support funding is provided for Project and Contracting Office activities.

f Per conference reports for P.L. 109-234 and P.L. 110-28, reconstruction support funding is provided for Project and Contracting Office activities.

g Incomplete, pending further investigation into administrative expenses for all fiscal years.

h As identified in the P.L. 110-28 conference report; includes Iraq reconstruction efforts for civilian personnel, temporary/additional duty, and miscellaneous contracts.

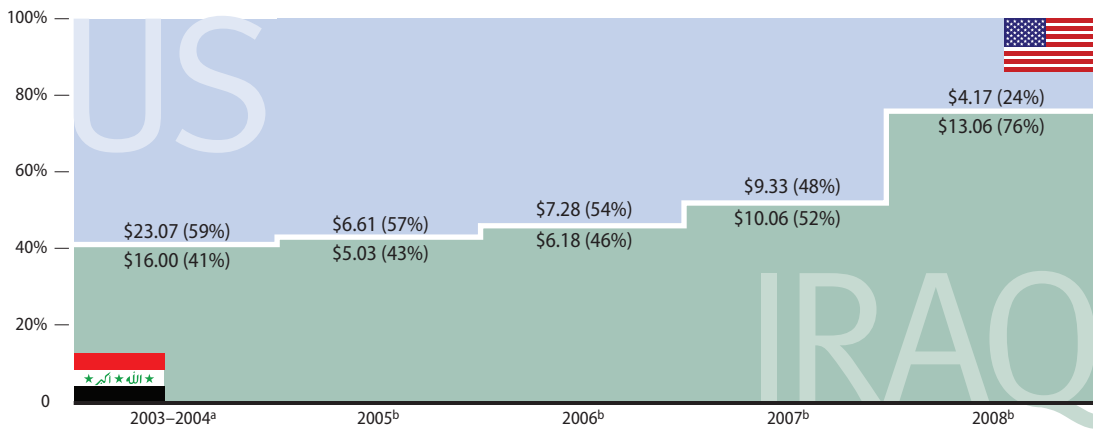
TABLE 2.2

Figure 2.3

**U.S. VS GOI RECONSTRUCTION FUNDING**

\$ Billions

Sources: Republic of Iraq: Budget Revenues and Expenses 2003, July–December; Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005; GOI 2006 Budget (as approved by TNA and written into law December 2005); U.S. Treasury, Response to SIGIR Data Call (10/15/2007, 1/4/2008); GOI Budget 2008: Overview of Revenue and Expenditure, 2007–2008; Ministry of Finance, “Iraqi Federal Budget 2008,” provided by the U.S. Treasury (6/29/2008)



**Note:** Numbers are affected by rounding. U.S. appropriations shown reflect cumulative totals of funds enacted in each calendar year.

<sup>a</sup> 2003–2004 totals include the Iraqi capital budget, seized funds, vested funds, and DFI funds under CPA.

<sup>b</sup> 2005–2008 Iraq totals include funds budgeted for capital projects.

<sup>c</sup> Estimate of \$800 million appropriated to CERP under P.L. 110-252 was provided by OSD/Policy in response to SIGIR, as of July 16, 2008.

Figure 2.3 compares the Iraqi investment with the total put forth by the United States.

As of July 2, 2008, Iraq's oil revenues were estimated at \$33.1 billion.<sup>33</sup> Oil revenues continue to increase and could crest \$70 billion by the end of the year.

For an accounting of seized and vested assets, as well as the DFI, see Appendix H.

## INTERNATIONAL SUPPORT (\$17 BILLION)

Support from the international community has been an important but inconsistent element in Iraq's reconstruction. International pledges of financial support have been galvanized by the *International Compact with Iraq* (Compact), which was established in May 2007. As of July 2, 2008, international donors had pledged \$17 billion.

International donor contributions come in the form of direct and multilateral financial and technical assistance, loans, balance-of-payment support facilities, and trade credits.<sup>34</sup> Of the total pledged grants and loans, \$4.53 billion in grants and \$10.05 billion in loan assistance were pledged during the First Madrid International Donors' Conference for Iraq Reconstruction.<sup>35</sup> Pursuant to the Compact, donors have pledged \$723 million in grants and \$1.7 billion in loan assistance. On July 7, 2008, the GOI hosted the seventh International Reconstruction Fund Facility for Iraq (IRFFI) Donor Committee meeting in Baghdad, making this the first IRFFI meeting to be held in Iraq since its creation five years ago.

For more information on international donors, see Appendix I and the discussion of the *Ministry of Planning and Development* in Section 2b.

# U.S. RECONSTRUCTION FUNDING



section

# 2a



## U.S. RECONSTRUCTION FUNDING

As of June 30, 2008, the Congress had appropriated \$50.46 billion<sup>36</sup> to support relief and reconstruction in Iraq. SIGIR reports on the oversight and accounting for all funds appropriated or made available for the building of physical infrastructure, the establishment of political and societal institutions, and for products and

services to benefit the people of Iraq.<sup>37</sup> U.S. reconstruction assistance has been made available in 33 accounts, but most funding flows through the four major accounts shown in Table 2.3.<sup>38</sup> For a summary and historical description of these funds, see Appendix F of this report.

### OVERVIEW OF U.S. RECONSTRUCTION FUNDS (\$ BILLIONS)

FUND	FUND OBJECTIVE	FUND STATUS, AS OF 6/30/2008	OBLIGATED % CHANGE SINCE LAST QUARTER	EXPENDED % CHANGE SINCE LAST QUARTER
IRRF 2 <sup>a</sup>	Addresses critical deficiencies in Iraqi infrastructure, particularly in essential services and security-related activities.	<p>Total Appropriated \$18.39 Total Obligated \$17.82 Total Expended \$17.13</p>	.3% ↑	1% ↑
ISFF <sup>b</sup>	Supports the reconstruction needs of the Iraqi Security Forces by providing equipment, supplies, services, training, and facility and infrastructure repair through the Iraqi Ministry of Defense and Ministry of Interior.	<p>Total Appropriated \$17.94 Total Obligated \$12.61 Total Expended \$9.93</p>	12% ↑	17% ↑
ESF <sup>c</sup>	Promotes the transition to democracy by funding local and national capacity development programs that support governance, civil society, economic policy reform, private sector, and agriculture.	<p>Total Appropriated \$3.74 Total Obligated \$2.62 Total Expended \$1.53</p>	6% ↑	33% ↑
CERP <sup>d</sup>	Enables commanders to provide immediate humanitarian relief, address urgent reconstruction needs, and produce focused local results for Iraqi people.	<p>Total Appropriated \$3.49 Total Obligated \$2.88 Total Expended \$2.40</p>	13% ↑	34% ↑

#### Sources:

<sup>a</sup> P.L. 108-106; DoS, *Iraq Weekly Status*, July 2, 2008.

<sup>b</sup> P.L. 109-13; P.L. 109-234; P.L. 109-289; P.L. 110-28; P.L. 110-161; P.L. 110-252; OSD, response to SIGIR data call, July 9, 2008.

<sup>c</sup> P.L. 108-7; P.L. 108-11; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; DoS, response to SIGIR data call, October 14, 2007; ITAO, responses to SIGIR data call, January 4, June 29, and July 7, 2008; GRD, response to SIGIR data call, July 2, 2008; USAID, responses to SIGIR data call, June 29, 2008, July 1, 2008, July 15, 2008, and July 17, 2008; ITAO, *Essential Indicators Report*, July 10, 2008.

<sup>d</sup> P.L. 108-287; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-28; P.L. 110-161; P.L. 110-252; OSD, response to SIGIR data call, July 18, 2008.

**Notes:** Numbers affected by rounding. IRRF numbers reflect IRRF 2 only. Funding details were not available for approximately \$30 million in FY 2006 base allocations, \$15 million in FY 2008 allocations, or \$527 million in 2008 supplemental allocations for ESF. This total includes an estimate of \$800 million appropriated to the CERP under the Supplemental Act, 2008 (P.L. 110-252) that was provided by OSD/Policy in a response to SIGIR on July 16, 2008. Complete FY 2004 CERP obligation and expenditure data was not provided in time for the publication of the Quarterly Report.

TABLE 2.3



## OBLIGATION AND EXPENDITURE TRENDS

Nearly 72% of all appropriations since 2003 has been directed through the ISFF and IRRF.<sup>39</sup> With the IRRF virtually exhausted, the ISFF now has the greatest remaining amount of obligated funds—more than \$2.68 billion. This quarter, ISFF expenditures increased by nearly 17%.

The IRRF and ISFF have had the most consistent rates of expenditure, while the ESF has expended the lowest percentage of appropriations—only about 48%. More than 64% of the ISFF and nearly 75% of total CERP appropriations have been expended.<sup>40</sup>

Figure 2.4 shows the rate of expenditure of the four major funding accounts from the time SIGIR began reporting on obligations and expenditures for each account. As Figure 2.4 shows, ESF spending was slow to start, and IRRF expenditures leveled off after a much stronger start. The ISFF has been expended at a consistent rate; and the CERP, which is used to meet the changing needs of commanders at the local level, has been expended at a more variable rate, spiking in late 2007. Figure 2.4 does not include funds made available for reconstruction in the 2008 Supplemental.

## RECONSTRUCTION FUNDING EXECUTION CHANNELS

Similar to the major funding streams, reconstruction programs are delivered through a variety of implementation channels. Projects are rarely

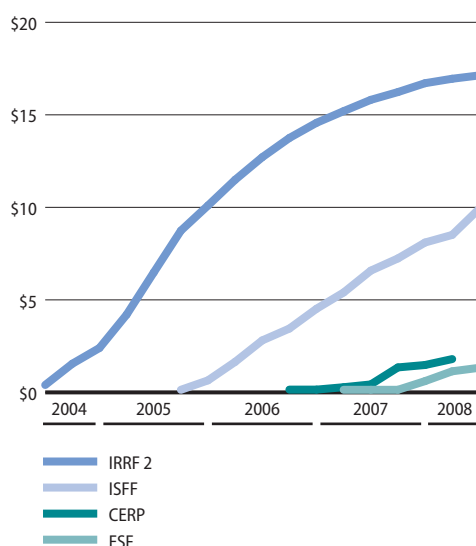
implemented by a single entity. Although each fund is administered by specific U.S. government agencies, project implementation varies by task type and sector focus. Many are delivered through a combination of interagency acquisition agreements (IAAs) and direct funding to private-sector contractors.

Figure 2.4

### EXPENDITURE RATES FOR MAJOR U.S. FUNDS

\$ Billions

Sources: DoS, *Iraq Weekly Status* (7/2/2008); OSD, Response to SIGIR Data Call (7/9/2008); DoS, Response to SIGIR Data Call (10/14/2007); ITAO, Responses to SIGIR Data Call (1/4/2008, 6/29/2008, 7/7/2008); GRD, Response to SIGIR Data Call (7/2/2008); USAID, Responses to SIGIR Data Call (6/29/2008, 7/1/2008, 7/15/2008, 7/17/2008); ITAO, *Essential Indicators Report* (7/10/2008); SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, March 2004–April 2008



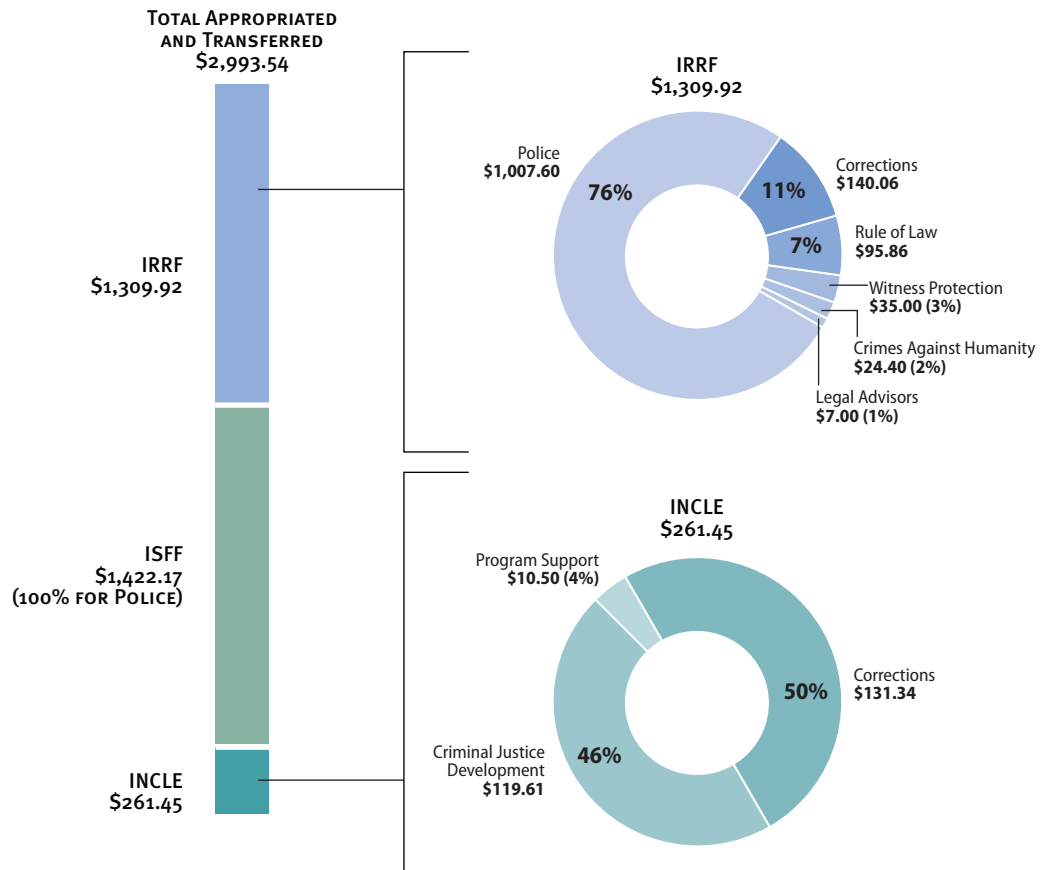
Note: SIGIR began reporting on ESF spending in FY 2006 after the enactment of the Emergency Supplemental Appropriations Act, 2006.

Figure 2.5

## INL APPROPRIATIONS AND TRANSFERS

\$ Millions

Source: INL, Response to SIGIR Data Call (7/2/2008)



Note: Numbers are affected by rounding.

## INTERAGENCY AGREEMENTS

The managers of IRRF, ESF, and ISFF projects administer a substantial portion of their programs through IAAs. For example, nearly \$1.31 billion of the IRRF and more than \$1.42 billion of the ISFF were transferred from DoD to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) for work to enhance the capacity of Iraq's criminal justice system.

For an overview of this funding, which includes direct appropriations to INL's International Narcotics Control and Law Enforcement

Fund (INCLE), see Figure 2.5.

Of these transferred and appropriated funds, INL reports that \$2.73 billion has been obligated. More than 19% of obligations, or \$528 million, was implemented through IAAs. IRRF transfers account for nearly \$280 million, or 53% of INL obligations through IAAs. Of all funding transferred from the ISFF, INL has obligated \$131 million through IAAs solely for Law Enforcement and Police efforts.

Nearly 40% of ESF program allocations are managed through IAAs, including large-scale agreements that DoS has executed with GRD,

DoJ, and others, shown in Table 2.4.<sup>41</sup>

DoS relies heavily on contractors to execute its mission.<sup>42</sup> GAO released an audit this quarter that reviewed DoS use of IAAs in conducting its worldwide operations. Of the ten case studies examined, two were directly related to services provided in Iraq. The report highlighted several challenges to effective management and execution,<sup>43</sup> including limited insight by DoS officials about the extent to which the department uses interagency contracting. It was also noted that DoS did not report \$144 million in logistics support contracting performed by DoD on its behalf.<sup>44</sup>

GAO previously reported that the lack of reliable information on interagency contracts inhibits agencies from making sound contracting decisions and engaging in good management practices.<sup>45</sup> Overall, programs and agencies that use multiple funding streams require a greater degree of coordination.<sup>46</sup> Echoing these challenges in a summary review of its audit products released this quarter, SIGIR observed that there

is a continuing need for more integrated organizational management structures to facilitate the coordination of efforts among agencies.<sup>47</sup>

## DIRECT CONTRACTING

Six U.S. government organizations are primarily responsible for Iraq reconstruction contracts:<sup>48</sup>

- U.S. Army Corps of Engineers, Gulf Region Division (GRD)
- Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)
- Multi-National Corps-Iraq (MNC-I)
- Air Force Center for Engineering and the Environment (AFCEE)
- USAID
- DoS

Table 2.5 shows the top ten contractors awarded projects under the IRRF 2.

Table 2.6 shows the top ISFF contractors, and Table 2.7 shows the top ESF contractors.

Given that INL manages contracts valued at more than \$1.55 billion, funded in large part by

## DEPARTMENT OF STATE ESF INTERAGENCY ACQUISITION AGREEMENTS (\$ MILLIONS)

PROGRAM	AGENCY	ALLOCATIONS	CONTRACTED AMOUNTS	EXPENDED AMOUNTS
PRT/PRDC	GRD	\$700	\$341	\$137
ISP	GRD	217	177	100
O&M Sustainment	GRD	285	274	224
Plant-level Capacity Development and Technical Training	GRD	52	36	30
Regime Crimes Liaison Office	DoJ	33	33	23
<b>Total</b>		<b>\$1,287</b>	<b>\$861</b>	<b>\$514</b>

Source: USAID, *Activities Report*, July 16, 2008; GRD, response to SIGIR data call, July 2, 2008; ITAO, *Essential Indicators Report*, July 10, 2008.

TABLE 2.4

## TOP TEN IRRF 2 CONTRACTORS (\$ MILLIONS)

#	CONTRACTOR	OBLIGATED	EXPENDED
1	Bechtel National, Inc.	\$1,262	\$1,177
2	FluorAMEC, LLC	\$948	\$943
3	Parsons Global Services, Inc.	\$667	\$635
4	Kellogg, Brown & Root Services, Inc.	\$630	\$618
5	Parsons Iraq Joint Venture	\$624	\$618
6	Washington Group International	\$508	\$505
7	Development Alternatives, Inc.	\$439	\$435
8	Environmental Chemical Corporation	\$352	\$349
9	Anham Joint Venture	\$259	\$259
10	Symbion Power, LLC	\$253	\$226

**Source:** Corps of Engineers Financial Management System, "All Items Report for PMCON and All Items Report for PMNCN," June 30, 2008; USAID, *Activities Report*, July 16, 2008.

**Note:** Numbers affected by rounding. This list is produced by compiling contract-level obligation data provided by GRD and USAID only.

TABLE 2.5

## TOP TEN ISFF CONTRACTORS (\$ MILLIONS)

#	CONTRACTOR	OBLIGATED	EXPENDED
1	AECOM, Government Services, Inc.	\$733	\$474
2	Contract to DoS for INL Support	\$696	\$696
3	Environmental Chemical Corporation	\$674	\$593
4	Contract to DoS for INL Support	\$386	\$386
5	American Equipment Company	\$342	\$234
6	Innovative Technical Solutions, Inc.	\$270	\$227
7	Tetra International, LLC	\$269	\$227
8	Iraqi Contractor	\$253	\$227
9	Toltest, Inc.	\$240	\$204
10	Contract to DoD for DSCA	\$224	\$224

**Source:** Corps of Engineers Financial Management System, June 30, 2008.

**Note:** Numbers affected by rounding.

TABLE 2.6

## TOP TEN ESF CONTRACTORS (\$ MILLIONS)

#	CONTRACTOR	PARTNERING AGENCY	OBLIGATED	EXPENDED
1	International Relief and Development	USAID	\$499	\$253
2	Research Triangle Institute	USAID	\$252	\$109
3	Management System International	USAID	\$204	\$60
4	Louis Berger Group	USAID	\$152	\$45
5	CHF International	USAID	\$145	\$71
6	Development Alternatives, Inc.	USAID	\$130	\$5
7	BearingPoint, Inc.	USAID	\$85	\$53
8	Wamar International	GRD	\$67	\$56
9	Parsons Brinckerhoff	GRD	\$58	\$57
10	Iraqi Contractor-4767	GRD	\$49	\$33

**Source:** Corps of Engineers Financial Management System, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

**Note:** Numbers are affected by rounding. This list is produced by compiling contract-level obligation data provided by GRD and USAID.

TABLE 2.7

## TOP INCLE CONTRACTORS (\$ MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED
DynCorp	\$1,424	\$1,328
Bearing Point	\$16	\$13
BEA Systems	\$9	\$9
CPI	\$6	-
LENCO	\$2.5	\$2.5
PAE	\$1.3	\$0.0

Source: INL, response to SIGIR data call, July 3, 2008.

Note: Numbers are affected by rounding.

TABLE 2.8

IRRF and ISFF transfers, a listing of top INCLE contractors is provided in Table 2.8. (The Congress exempted CERP from standard contracting regulations; consequently, SIGIR reporting for the CERP is limited to project-level obligations). Within their respective funding streams, contractors listed in each of these tables account for:

- 33% of IRRF obligations
- 32% of ISFF obligations
- 63% of ESF obligations
- 52% of INCLE obligations

Combined, the top 36 contractors of the IRRF, ISFF, ESF, and transfers and appropriations to the INCLE have been awarded 33% of total U.S. appropriations.<sup>49</sup> Consistent with the imminent completion of the IRRF 2 program, rankings for contractors in this stream have not changed from those reported last quarter. Corresponding obligations have increased only incrementally. For IRRF's largest contractor, Bechtel National, Inc., all projects are now reported as complete, with 658 individual sub-projects that range in sectors from Water Resources and Electricity to Health Care and Transportation and Telecommunications.

AECOM is the largest ISFF contractor, with total obligations of \$733 million—an increase of \$40 million from last quarter. AECOM supports the Iraqi Armed Forces through more than 230 projects. Of the top ISFF contractors, the

American Equipment Company shows the largest increase in obligations, up by \$85 million, or nearly 33%, during the quarter.

Although the top ten ESF contractors have not changed since last quarter, reported obligations have decreased slightly for half of the contractors listed. Wamar International had the largest increase from last quarter—up \$5 million. International Relief and Development is attributed with the largest obligation total. This USAID contractor manages 8,750 sub-projects, all of which fall under the ESF security track. Its highest program obligations are for the support of the **Community Stabilization Program**.

For INCLE contractors, obligations have not changed in comparison to figures reported last quarter. The obligation total for DynCorp is the highest obligated amount for any single contractor. Expenditures by DynCorp rose \$73 million this quarter. Also, INL reported three new contractors—BEA Systems, CPI, and LENCO.

## Iraqi First Program

Through the **Iraqi First Program**, JCC-I/A has supported the award of contracts to fulfill Coalition reconstruction requirements. By using Iraqi workers and suppliers, the Coalition invigorates local industries and the economy.<sup>50</sup>

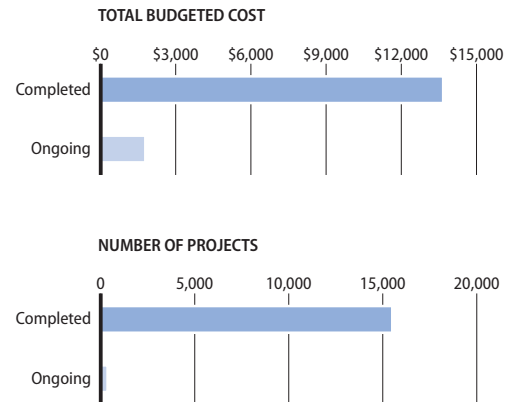
This quarter, JCC-I/A reported that there are 4,016 registered Iraqi First vendors. There are also more than 3,700 Iraqis working under a military

Figure 2.6

## IRRF 2 PROJECT COMPLETION STATUS

\$ Millions, # Projects

Source: IRMS, ITAO Rollup (7/7/2008); USAID, Activities Report (7/16/2008)



logistics contract.<sup>51</sup> To date, more than 32,000 awards have been made to Iraqi vendors, valued at more than \$6.7 billion.<sup>52</sup> For Iraqi First awards for each province, see Section 2c.

### I-BIZ

Another emerging mechanism supporting the development of Iraqi businesses is the **Iraqi-Based Industrial Zone (I-BIZ) program**, which aims to create opportunities for Iraqi entrepreneurs on or near Coalition bases. Commanders support I-BIZ by providing a secure work area for Iraqi businesses to supply light industrial and commercial services for the Coalition forces on the base. The initial focus for the program is on non-tactical industries.<sup>53</sup> This quarter, an I-BIZ center opened in Balad, in Salah Al-Din province.<sup>54</sup>

## IRAQ RELIEF AND RECONSTRUCTION FUND

This quarter, under the Supplemental Appropriations Act, 2008, \$50 million was rescinded from the unobligated balance of IRRF 2 monies.<sup>55</sup> The Congress redirected most of these funds to priorities in other countries. ITAO reports that \$10 million of these funds will be slated for anticorruption programs in Iraq.<sup>56</sup> Shifts in the alloca-

tions continue to occur as project needs change. OMB reported two other changes to the IRRF 2:

- \$84 million of the IRRF 2 was de-obligated and returned to OMB.<sup>57</sup>
- \$95.6 million was re-apportioned by OMB and is now available for re-obligation.<sup>58</sup>

To date, \$690 million, or nearly 4%, of IRRF 2 obligations remains unexpended.<sup>59</sup> For more information on the history of the IRRF, allocations of the IRRF by sector, and for allocation by agency, see Appendix F.

### MAJOR IRRF PROJECTS

This quarter, 79 IRRF projects were completed, and to date, nearly 87% of all IRRF projects were finished. Figure 2.6 shows the status of IRRF projects, as reported in IRMS. Nearly 365 IRRF projects are still ongoing. Table 2.9 details ten major IRRF projects.<sup>60</sup>

### GEOGRAPHIC DISTRIBUTION

IRRF-funded projects are being implemented in all of the 18 provinces of Iraq. Since the start of the U.S. reconstruction program, Baghdad has received the highest project budget. However, the highest per capita concentration of projects has

occurred in the Basrah, Thi-Qar, and Tameem provinces. Table 2.10 lists IRRF project budgets and per capita totals by province, as reported in IRMS.

## IRAQ SECURITY FORCES FUND

The Iraq Security Forces Fund (ISFF) received \$1.50 billion of the FY 2008 Supplemental and \$1 billion in FY 2009 bridge funding. These additional funds bring the total ISFF to \$17.94 billion—nearly the size of IRRF 2.<sup>61</sup>

FY 2008 Supplemental funding more than doubled the total ISFF appropriations made available this year. Generally, ISFF funding allocations for the MOD and MOI have decreased

from FY 2007 levels. Even with the addition of this quarter's FY 2008 Supplemental appropriation, total FY 2008 ISFF funds decreased by 47% from the total made available in FY 2007.

## FUNDING USES

To date, \$9.25 billion of the ISFF has been allocated to assist the MOD, and \$5.26 billion has been made available to support the MOI.

Generally, ISFF projects are funded under four major sub-activity groups:

- Equipment and Transportation
- Sustainment
- Training and Operations
- Infrastructure

## MAJOR IRRF RECONSTRUCTION PROJECTS (\$ MILLIONS)

PROJECT NAME	TOTAL BUDGETED COST	STATUS	FORECAST/ACTUAL COMPLETION	PROVINCE
Design and Construct Nassriya Water Supply Project	\$276.73	Completed	9/11/2007	Thi-Qar
Kirkuk Substation Combustion Turbines	\$205.16	Completed	11/29/2005	Tameem
Design and Construct Erbil City-Ifray Main Water Supply Project	\$201.49	Completed	7/20/2006	Erbil
Construct Qudas Power Plant Expansion	\$182.45	Ongoing	12/31/2008	Baghdad
Baghdad South New Generation Phase II Equipment	\$177.22	Completed	8/14/2006	Nationwide
Khor Zubair New Generation	\$121.36	Completed	1/6/2006	Basrah
Doura Power Plant Rehab Units 5 & 6	\$88.59	Completed	6/15/2005	Baghdad
PIJV - South Well Work Over	\$88.19	Completed	5/12/2007	Basrah
Design And Construct Nassriya Drainage Pump Station	\$81.93	Completed	2/28/2007	Thi-Qar
First Responder Network (North Region)	\$66.20	Completed	5/1/2006	Nationwide

Source: IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008.

TABLE 2.9

## IRRF 2 PROJECT BUDGETS PER CAPITA

PROVINCE	BUDGET	POPULATION	BUDGET PER CAPITA
Basrah	\$2,623,482,601	1,761,000	\$1,489.77
Thi-Qar	\$1,444,915,361	1,427,200	\$1,012.41
Tameem	\$769,947,380	839,100	\$917.59
Anbar	\$1,001,030,457	1,280,000	\$782.06
Baghdad	\$4,315,427,382	6,386,100	\$675.75
Diyala	\$856,835,397	1,373,900	\$623.65
Muthanna	\$321,022,172	536,300	\$598.59
Salah Al-Din	\$630,580,391	1,077,800	\$585.06
Wassit	\$410,084,576	941,800	\$435.43
Missan	\$280,765,000	743,400	\$377.68
Erbil	\$690,576,957	1,845,200	\$374.26
Dahuk	\$188,032,383	616,600	\$304.95
Ninewa	\$740,433,023	2,473,700	\$299.32
Qadissiya	\$229,331,555	866,700	\$264.60
Najaf	\$238,090,406	946,300	\$251.60
Babylon	\$299,235,829	1,444,400	\$207.17
Kerbala	\$129,699,797	756,000	\$171.56
Sulaymaniyah	\$188,028,050	2,159,800	\$87.06

Source: IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008; Source of population: UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

Note: This table does not account for \$9,927,297,807 in values for projects not tied to a province in IRMS.

TABLE 2.10

For an overview of ISFF allocations by sub-activity group, see Figure 2.7.

The ISFF funds \$927 million in "other" activities external to the MOI and MOD, including prosthetics clinics, detainee operations, Theater Internment Facility Reintegration Centers, a quick response fund, rule-of-law complexes, and disarmament, demobilization, and reintegration programs. Figure 2.8 shows the shifts in ISFF fund allocations.

In keeping with MNSTC-I's priority to expand the ISF, most ISFF obligations in support of the MOI are made for training and operations. Equipment and transportation is the top prior-

ity category for ISFF projects that support the MOD.<sup>62</sup> For a list of the top obligation priorities in support of the MOD, by fiscal year, see Table 2.11. For a list of obligations in support of the MOI, see Table 2.12.

## FUND EXECUTION

The ISFF is a two-year fund, and FY 2006 funds remain available for expenditure until September 30, 2008. Therefore, FY 2007 ISFF funds are available until September 30, 2009, and FY 2008 funds may be obligated until September 30, 2010. As of July 7, 2008, however, there have been no expenditures of FY 2008 monies reported.

Across all sub-activity groups, the percent-



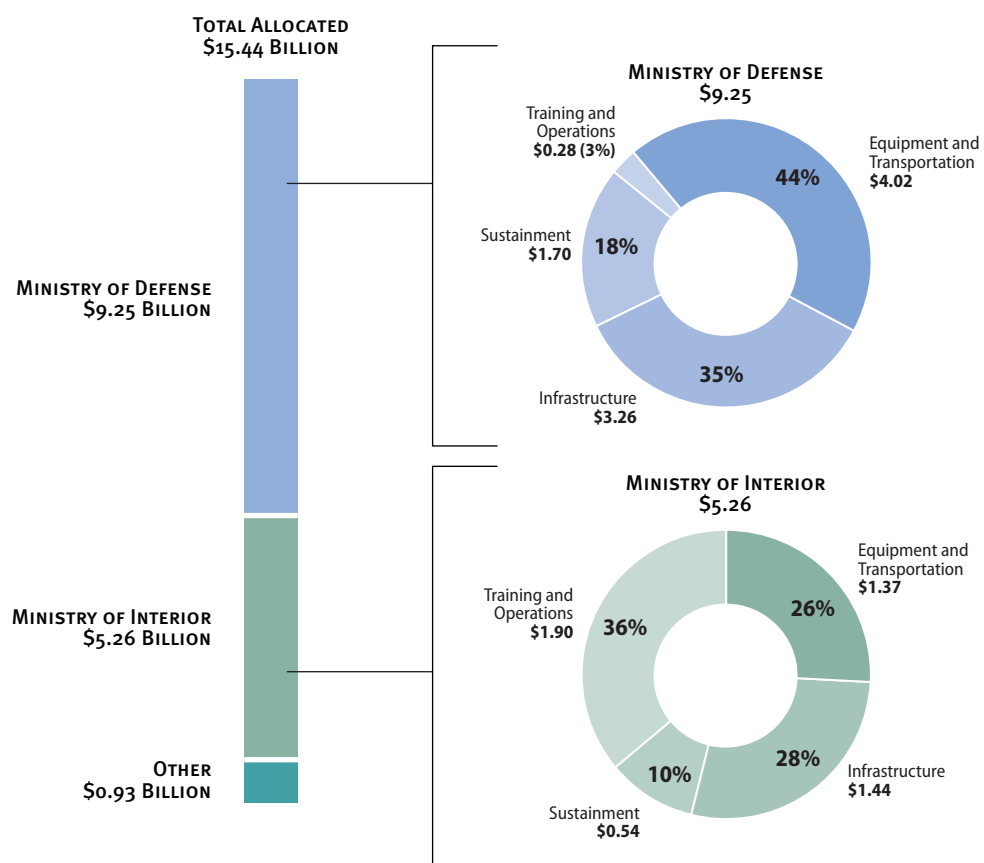
# U.S. RECONSTRUCTION FUNDING

Figure 2.7

## ISFF ALLOCATIONS, BY SUB-ACTIVITY GROUP

\$ Billions

Source: OSD, Response to SIGIR Data Call (7/9/2008)



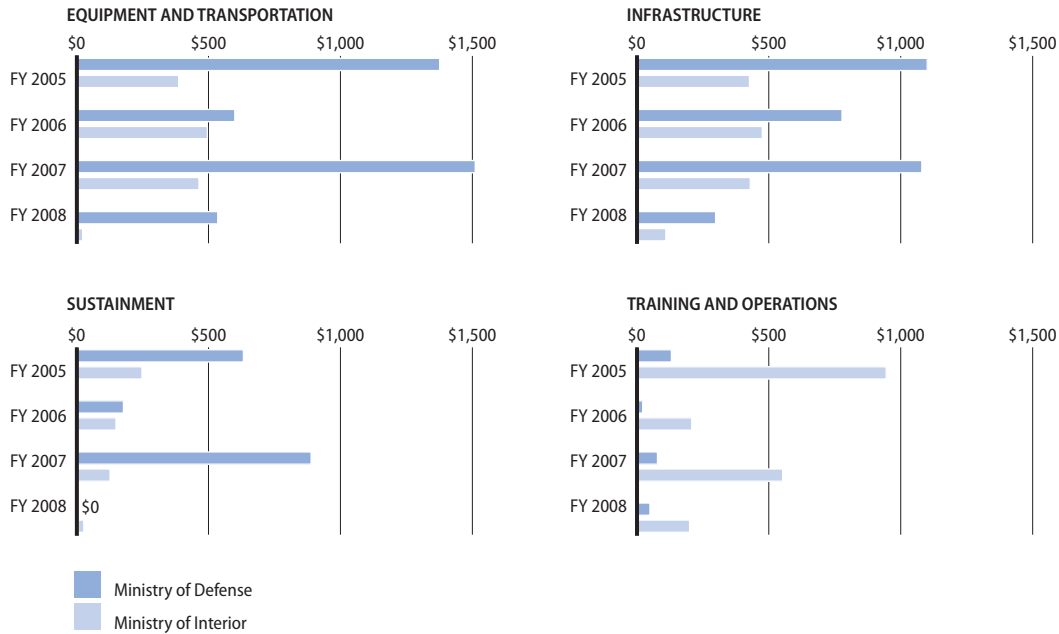
Note: Numbers are affected by rounding. Allocations do not include funds passed in the FY 2008 supplemental appropriation.

Figure 2.8

## SHIFTS IN ISFF ALLOCATIONS, BY SUB-ACTIVITY GROUP

\$ Millions

Source: OSD, Response to SIGIR Data Call (7/9/2008)



## TOP ISFF OBLIGATIONS, BY SUB-ACTIVITY GROUP—MOD (\$ MILLIONS)

FISCAL YEAR	SUB-ACTIVITY GROUP	OBLIGATIONS
2005	Equipment and Transportation	\$1,370.49
2007	Equipment and Transportation	\$1,125.36
2005	Infrastructure	\$1,065.40
2007	Sustainment	\$815.07
2007	Infrastructure	\$802.01

Source: OSD, response to SIGIR data call, July 9, 2008.

TABLE 2.11

## TOP ISFF OBLIGATIONS, BY SUB-ACTIVITY GROUP—MOI (\$ MILLIONS)

FISCAL YEAR	SUB-ACTIVITY GROUP	OBLIGATIONS
2005	Training and Operations	\$937.22
2007	Training and Operations	\$519.50
2006	Equipment and Transportation	\$496.03
2006	Infrastructure	\$469.80
2005	Infrastructure	\$405.40

Source: OSD, response to SIGIR data call, July 9, 2008.

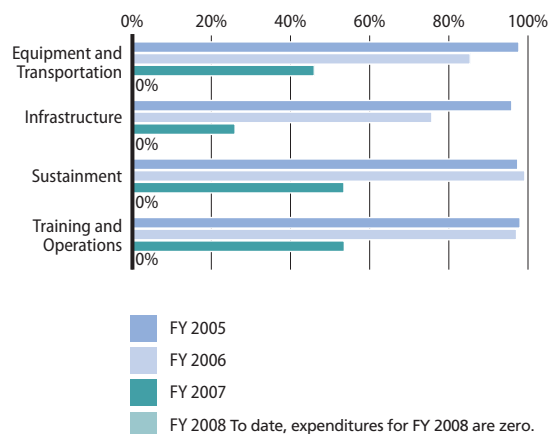
TABLE 2.12

# U.S. RECONSTRUCTION FUNDING

Figure 2.9

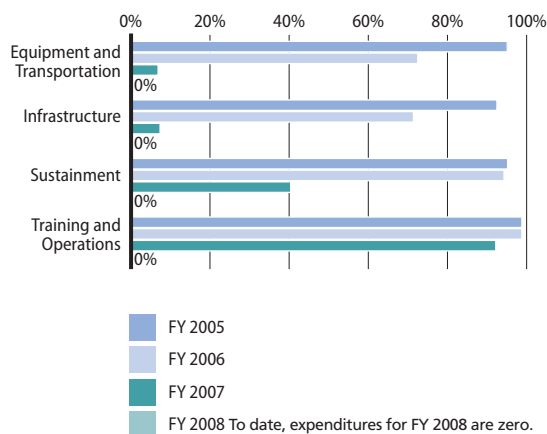
## ISFF % EXPENDED, BY SUB-ACTIVITY GROUP—MOD

Source: OSD, Response to SIGIR Data Call (7/9/2008)



## ISFF % EXPENDED, BY SUB-ACTIVITY GROUP—MOI

Source: OSD, Response to SIGIR Data Call (7/9/2008)



ages of allocations that have been expended are high for FY 2006 funds. However, rates of expenditures in FY 2007 vary across sub-activity group and ministry. In both the MOD and MOI allocations, the infrastructure sub-activity group has been expended more slowly than each of the other sub-activity groups in each fiscal year. Figure 2.9 illustrates the MOD and MOI rates of expenditure by sub-activity group for each fiscal year.

### Funding Shifts

On April 3, 2008, DoD requested a \$610 million reallocation of funds within the FY 2007 ISFF. In the Congressional Notification to realign the ISFF, DoD noted that as a result of the evolving relationship with the GOI, funding requirements are also evolving.<sup>63</sup> Following a May 2008 congressional hearing with the Secretary of Defense, the \$610 million reallocation plan was revised<sup>64</sup> to cut \$171 million slated for the construction of 55 police stations.<sup>65</sup> DoD then proceeded with a \$439 million reallocation request:

- \$320 million to support sustainment for the MOD (\$300 for infrastructure and \$20 million

for training)<sup>66</sup>

- \$119 million to reprogram funds from equipment to address infrastructure projects for the MOI<sup>67</sup>

Across both ministries, just over 30% of total appropriations to the ISFF has been allocated to infrastructure, with \$3.26 billion allocated to MOD and \$1.44 billion to MOI. This quarter, MNSTC-I reported that Iraqis are taking responsibility for \$454 million in sustainment life-support contracts previously funded through MNSTC-I enabling a shift in funds from sustainment.<sup>68</sup>

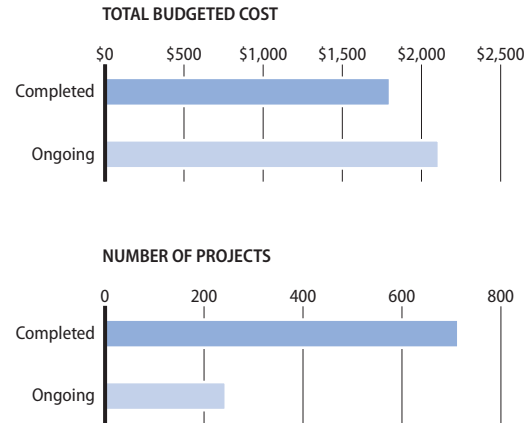
The majority of the funds reprogrammed to support MOI infrastructure will be used to expand training bases, the National Police Sustainment Brigade Headquarters facility, and infrastructure supporting the Department of Border Enforcement Facilities.<sup>69</sup> For a more detailed examination of the use of ISFF funds for infrastructure, see SIGIR's audit summary in Section 3.

Figure 2.10

## ISFF PROJECT COMPLETION STATUS

\$ Millions, # Projects

Source: IRMS, ITAO Rollup (7/7/2008)



## MAJOR ISFF RECONSTRUCTION PROJECTS (\$ MILLIONS)

PROJECT NAME	TOTAL BUDGETED COST	STATUS	FORECAST/ACTUAL COMPLETION	PROVINCE
Construct 6th Div. Units at Old Muthanna Airfield	\$57.66	Completed	3/2/2007	Baghdad
Renovate North Depot at Taji	\$44.33	Completed	1/31/2007	Baghdad
Construct 3rd BDE HQ and 1st BN, 3rd BDE, 7th Div, at Al Qaim	\$42.38	Ongoing	5/15/2008	Anbar
5/6 Div FOB Honor Building Renovations	\$39.62	Ongoing	1/15/2008	Baghdad
Shaiba Location Command	\$37.28	Ongoing	9/27/2009	Thi-Qar
Police Station - Diyala Operations Center	\$37.00	Completed	8/29/2007	Diyala
Construct/Renovate Tadjil IA Schools	\$36.26	Ongoing	3/31/2008	Baghdad
7th DIV HQ MTR and DTB at Camp Mejed	\$35.33	Ongoing	7/15/2008	Anbar

Source: IRMS, ITAO Rollup, July 7, 2008.

TABLE 2.13

### Major ISFF Projects

This quarter, 49 ISFF projects were completed, and more than half were facility and infrastructure projects in Baghdad province. As of June 30, 2008, the IRMS reported that 714 total ISFF

projects, valued at \$1.8 billion, were completed. Figure 2.10 shows the status of completed and ongoing ISFF projects.

This quarter, more than 240 ISFF projects are ongoing. Table 2.13 lists major ISFF projects.

## ISFF PROJECT BUDGETS PER CAPITA

PROVINCE	BUDGET	POPULATION	BUDGET PER CAPITA
Anbar	\$1,458,135,284	1,280,000	\$1,139
Baghdad	\$4,290,258,314	6,386,100	\$672
Ninewa	\$807,698,141	2,473,700	\$327
Diyala	\$414,957,461	1,373,900	\$302
Tameem	\$242,449,646	839,100	\$289
Thi-Qar*	\$285,752,954	1,427,200	\$200
Salah Al-Din	\$203,162,176	1,077,800	\$188
Wassit	\$139,706,251	941,800	\$148
Missan*	\$75,926,504	743,400	\$102
Basrah*	\$172,934,082	1,761,000	\$98
Qadissiya*	\$73,573,736	866,700	\$85
Najaf*	\$59,390,143	946,300	\$63
Babylon	\$33,982,813	1,444,400	\$24
Erbil*	\$26,798,996	1,845,200	\$15
Dahuk*	\$7,341,002	616,600	\$12
Sulaymaniyah*	\$25,343,740	2,159,800	\$12
Muthanna*	\$2,674,864	536,300	\$5
Kerbala*	\$982,680	756,000	\$1

Source: IRMS, *ITAO Rollup*, July 7, 2008; Population figures: UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

Note: This table does not account for values for projects not tied to a province in IRMS.

\* Indicates provinces that have achieved Provincial Iraqi Control.

TABLE 2.14

## GEOGRAPHIC DISTRIBUTION

ISFF projects are being implemented in all 18 provinces of Iraq.<sup>70</sup> Since the program began, the highest per capita implementation has been in Anbar, Baghdad, and Ninewa provinces. Table 2.14 provides a distribution by province of budgeted amounts, total and per capita, for ISFF projects.

Budget per capita cost is low across the three provinces of the Kurdistan region; it is semi-autonomous and has been primarily in control of its own security since 2003. It was officially transferred to Regional Iraqi Control in May 2007. Nine of the ten provinces with the lowest budget per capita have already achieved transition to Provincial Iraqi Control, and the other province is expected to transfer in November 2008.

## ECONOMIC SUPPORT FUND

This quarter, the ESF received \$526 million

through the FY 2008 Supplemental Appropriations Act.<sup>71</sup> Total appropriations to date for the ESF amount to \$3.74 billion. For a breakdown of congressional guidance for FY 2008 and FY 2009 bridge ESF appropriations, by program, see Table 2.15.

## FUNDING USES

ESF programs are aligned in three tracks—security, economic, and political. The security track receives the largest allocation of ESF funds, accounting for 63% of the total ESF appropriations. Figure 2.11 shows the distribution of ESF allocations to these tracks.

DoS has used interagency acquisition agreements with GRD and DoJ to execute several ESF programs.<sup>72</sup> To provide consistency in the terminology used to discuss U.S. funds, SIGIR considers ESF "obligations" for interagency agreements as funds "committed." SIGIR views funds that

**ESF SUPPLEMENTAL APPROPRIATIONS UNDER P.L. 110-252, BY PROGRAM (\$ MILLIONS)**

	FY 2008	FY 2009 BRIDGE	TOTAL
Provincial Reconstruction Teams (PRTs)	\$139.00	\$35.00	\$174.00
Community Stabilization Program (CSP)	100.00	32.50	132.50
Community Action Program (CAP)	75.00	32.50	107.50
Operations and Maintenance of Key USG-Funded Infrastructure	10.00	0	10.00
Provincial Economic Growth (Including Agriculture and Microfinance)	25.00	0	25.00
National Capacity Development	70.00	0	70.00
Marla Ruzicka Iraqi War Victims Fund	5.00	2.50	7.50
<b>Total</b>	<b>\$424.00</b>	<b>\$102.50</b>	<b>\$526.50</b>

TABLE 2.15

have been awarded under contracts as “obligated.” For the funding status of the primary ESF programs by track, see Table 2.16.

Highlights of program expenditures this quarter include:

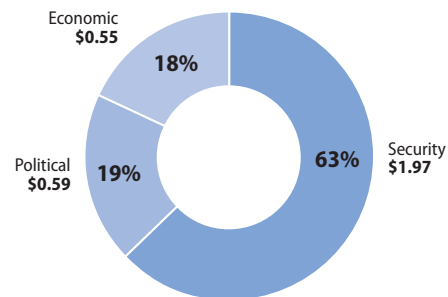
- The largest ESF program—the PRT/PRDC program—had a 16% increase in obligations from last quarter.
- Of all programs with allocations over \$100 million, the Local Governance Program had the highest increase in expenditures over the previous quarter—a 127% increase.
- Programs with the highest expenditure rates were primarily new programs for FY 2007 and FY 2008—such as the Targeted Development Program, which increased by more than 160%, and the Inma Private Sector Agribusiness Development Program, which increased by about 150% this quarter.
- Within the political track, the National Capacity Development program—which accounts for 34% of the political track obligations—had the highest rate of expenditure, with an 85% increase in expenditures from last quarter.
- This quarter, the O&M Sustainment program continued to be the largest program in the economic track. This program also has the track’s highest expenditure rate—up \$54.18 million from last quarter. For more information on O&M sustainment efforts in the electricity sector, see Section 2b.

Figure 2.11

## ALLOCATIONS OF ESF FUNDS BY TRACK

\$ Billions, % of \$3.11 Billion Allocated

Source: DoS, *Section 2207 Report*, October 2007; ITAO, Responses to SIGIR Data Call (1/4/2008, 6/29/2008, and 7/7/2008); GRD, Response to SIGIR Data Call (7/2/2008); USAID, Responses to SIGIR Data Call (6/29/08, 7/1/2008, 7/15/2008, and 7/17/2008); ITAO, *Essential Indicators Report* (7/10/2008); OMB, Response to SIGIR Data Call (1/2/2008)



**Note:** Numbers are affected by rounding. The total amount represented is approximately 84% of all appropriated ESF funds for Iraq, which totals \$3.74 billion. Program and track-level details were not available for \$50 million of FY 2003 funding or for \$562 million in FY 2008 supplemental funds.

Across all tracks, the Community Stabilization Program (CSP) has obligated and expended more than any other ESF program (\$514 million obligated and just more than \$341 million expended).

In March 2008, USAID’s Office of Inspector General issued a report on the implementation and results of the CSP that identified operational and reporting challenges.<sup>73</sup> In particular, evidence

# U.S. RECONSTRUCTION FUNDING

## ESF STATUS OF PROGRAM FUNDING (\$ MILLIONS)




















PROGRAM	TOTAL ALLOCATIONS	TOTAL OBLIGATIONS	TOTAL EXPENDED AS A % OF OBLIGATIONS	PROGRAM	TOTAL ALLOCATIONS	TOTAL OBLIGATIONS	TOTAL EXPENDED AS A % OF OBLIGATIONS
<b>Economic</b>				<b>Security</b>			
O&M Sustainment	\$285	\$274	 82%	PRT/PRDC Projects	\$700	\$341	 40%
Inma Private Sector Agribusiness Development	93	93	 31%	Community Stabilization Program	514	514	 66%
Targeted Development Program	57	6	 22%	Local Governance Program	252	252	 67%
Plant-Level Capacity Development and Technical Training	52	36	 82%	Infrastructure Security Protection	217	177	 56%
Provincial Economic Growth	36	36	 13%	Community Action Program	135	135	 68%
Izdihar	24	24	 94%	PRT Quick Response Fund	132	121	 21%
<b>Political</b>				Marla Ruzicka Iraqi War Victims Fund (transferred to IRRF)	25	20	 100%
National Capacity Development	\$205	\$205	 48%				
Democracy and Civil Society <sup>a</sup>	163	132	 49%				
Economic Governance II, Policy, Subsidy, Legal, and Regulatory Reforms	85	85	 64%				
Iraqi Refugees (Jordan)—transferred to Migration and Refugee Assistance <sup>b</sup>	60	50	 55%				
Ministerial Capacity Development	45	37	 56%				
Regime Crimes Liaison Office	33	33	 69%				

TABLE 2.16

**Sources:** ITAO, response to SIGIR data call, January 4, 2008; DoS, *Section 2207 Report*, October 2007; GRD, Response to SIGIR data call, July 2, 2008; USAID response to SIGIR data call, June 29, 2008; ITAO, *Essential Indicators Report*, July 10, 2008; ITAO, response to SIGIR data call, July 7, 2008; USAID, responses to SIGIR data call, July 1, 2008, July 14, 2008, and July 17, 2008; OMB, response to SIGIR data call, January 2, 2008.

**Notes:** Numbers affected by rounding. SIGIR did not receive reporting for obligated and expended amounts for approximately \$30 million in FY 2006 base allocations. The obligations in this table represent only contractual awards. No funds committed through Interagency Acquisition Agreements were included.

<sup>a</sup> Amounts in this category include programs reported as "Civil Society Development," "Civil Society-ADF and IFES," "Civil Society-IREX," "Democracy and Civil Society," "Democracy Funding for IRI NDI NED," and "USIP."

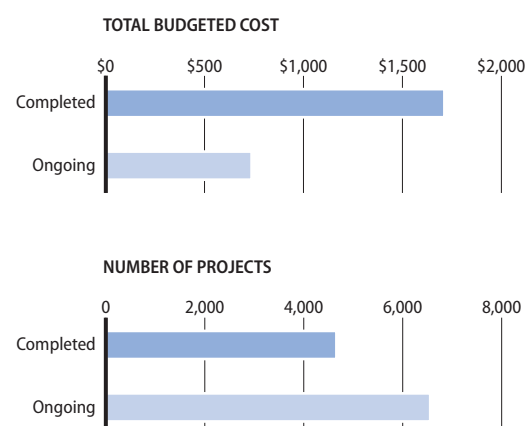
<sup>b</sup> Amounts in this category include programs reported as "Iraqi Refugees (Jordan)—transferred to Migration and Refugee Assistance" and *Iraqi Scholars Program*, as per guidance given in an OMB response to SIGIR data call on January 3, 2008.

Figure 2.12

## ESF PROJECT COMPLETION STATUS

\$ Millions, # Projects

Source: IRMS, ITAO Rollup (7/7/2008); USAID, *Activities Report* (7/16/2008)



## MAJOR ESF RECONSTRUCTION PROJECTS (\$ MILLIONS)

PROJECT NAME	TOTAL BUDGETED COST	STATUS	FORECAST/ACTUAL COMPLETION	PROVINCE
Missan Surgical Hospital, Phase 2	\$14.08	Ongoing	5/19/2009	Missan
Provide & Install 132 kV Power Cable Feeder	\$13.10	Ongoing	3/22/2009	Basrah
Oil Pipeline Exclusion Zone Baiji - Baghdad - Phase 6	\$11.86	Ongoing	11/30/2008	Salah Al-Din
Oil Pipeline Exclusion Zone Baiji - Baghdad - Phase 5	\$10.50	Ongoing	12/26/2008	Salah Al-Din
Water Reverse Feeding of Clean Water	\$10.18	Ongoing	1/8/2009	Basrah
ABOT/KAAOT Oil Platform Life Support	\$9.71	Completed	2/24/2008	Basrah
Baqubah General Hospital EHC	\$9.61	Ongoing	4/17/2009	Diyala
Al-Junaina & Al Andulas Movement & Storm Damage Water Drainage System	\$8.67	Ongoing	9/11/2008	Basrah
Oil Pipeline Exclusion Zone Baiji - Baghdad - Phase 3	\$8.57	Ongoing	12/26/2008	Salah Al-Din
Oil Pipeline Exclusion Zone Baiji - Baghdad - Phase 4	\$8.49	Ongoing	8/17/2008	Baghdad

Source: IRMS, ITAO Rollup, July 7, 2008.

TABLE 2.17

of potential fraud was observed within a district of Baghdad.<sup>74</sup> In response, USAID managers acknowledged the level of risk associated with the program while affirming the program's overall success.<sup>75</sup>

Program allocations reported in Table 2.16 have been affected by recent reprogrammings. This quarter, \$7 million of uncommitted PRT funds was realigned from the PRDC program to the ESF's Quick Response Fund.<sup>76</sup> This represents a nearly 5% increase in the allocated funds for the QRF to date. In addition to that reprogramming, SIGIR reported last quarter that \$76 million of the ESF had been rescinded. This quarter,

ITAO noted that following the rescission, the Infrastructure Security Protection program was reduced by \$10 million.<sup>77</sup>

## Major ESF Projects

Since April 1, 2008, 2,198 ESF projects were completed; almost all were security-related. Currently, 34% of all ESF projects have been completed; a total of 4,660 completed projects have been reported in IRMS and USAID *Activities Reports*. For the status of completed and ongoing ESF projects, see Figure 2.12. Table 2.17 lists major ESF projects.



# U.S. RECONSTRUCTION FUNDING

## ESF PROJECT BUDGETS PER CAPITA

PROVINCE	BUDGET	POPULATION	BUDGET PER CAPITA
Salah Al-Din	\$308,234,380	1,077,800	\$285.98
Tameem	\$229,659,488	839,100	\$273.70
Baghdad	\$1,029,320,844	6,386,100	\$161.18
Basrah	\$234,878,695	1,761,000	\$133.38
Anbar	\$132,769,488	1,280,000	\$103.73
Dahuk	\$57,194,860	616,600	\$92.76
Missan	\$60,600,224	743,400	\$81.52
Muthanna	\$41,364,570	536,300	\$77.13
Wassit	\$63,818,490	941,800	\$67.76
Kerbala	\$43,344,223	756,000	\$57.33
Erbil	\$79,745,680	1,845,200	\$43.22
Babylon	\$60,375,834	1,444,400	\$41.80
Thi-Qar	\$54,213,407	1,427,200	\$37.99
Ninewa	\$83,282,235	2,473,700	\$33.67
Sulaymaniyah	\$71,852,077	2,159,800	\$33.27
Diyala	\$44,623,109	1,373,900	\$32.48
Najaf	\$28,014,897	946,300	\$29.60
Qadissiya	\$24,723,031	866,700	\$28.53

Source: IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008; Source of population: UNO-CHA, "Iraq-Population by Governorate," November 19, 2007.

Note: This table does not account for \$1,247,688,809 in projects that are not tied to a province in the IRMS.

TABLE 2.18

## Geographic Distribution

ESF-funded projects are being implemented in all of the 18 provinces of Iraq.<sup>78</sup> From the beginning of reconstruction efforts, the highest per capita concentration of projects has occurred in Salah Al-Din, Tameem, and Baghdad provinces. Table 2.18 provides a distribution by province of budgeted amounts, total and per capita, for ESF projects.

## COMMANDER'S EMERGENCY RESPONSE PROGRAM

The FY 2008 Supplemental appropriations designated \$800 million for the CERP.<sup>79</sup> To date, \$3.49 billion have been appropriated to the CERP, of which \$2.88 billion have been obligated and \$2.40 billion have been expended.<sup>80</sup>

MNC-I details guidance for the use of CERP funds and provides CERP Standard Operating Procedures in its publication *Money As A*

*Weapon System* (MAAWS). In May 2008, MNC-I again revised the MAAWS to include the purpose and restrictions of the new program I-CERP, which uses the traditional CERP mechanism to implement Iraqi-funded projects.

## CERP OVERSIGHT

Projects with values over \$500,000 are an important component of the CERP program, but they make up less than 3% of the total number of projects. As cited in a recent GAO audit, the remaining projects below this threshold are not subject to the same level of oversight or internal controls.<sup>81</sup>

In the latest version of MAAWS, MNC-I notes explicitly that, "failure to accurately report CERP execution data is indicative of poor internal management controls and may result in funding being withheld until rectified."<sup>82</sup> Under the current design, commanders are responsible

**AVERAGE BUDGETED COST OF ONGOING CERP PROJECTS BY FISCAL YEAR (\$ THOUSANDS)**

TYPE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Non-Construction	\$32.79	\$62.89	\$90.73	\$80.15	\$86.31
Reconstruction	\$54.93	\$144.94	\$169.15	\$172.51	\$140.12

Source: IRMS, CERP Excel Workbook, June 30, 2008.

TABLE 2.19

**AVERAGE BUDGETED COST OF COMPLETED CERP PROJECTS (\$ THOUSANDS)**

TYPE	2004	2005	2006	2007	2008
Non-Construction	\$29.63	\$59.02	\$69.31	\$60.29	\$92.34
Reconstruction	\$46.07	\$80.83	\$136.59	\$143.69	\$212.27

Source: IRMS, CERP Excel Workbook, June 30, 2008.

Note: Figures are based on the year of the completed projects.

TABLE 2.20

for identifying and approving projects as well as ensuring proper management, reporting, and fiscal controls to account for funding.<sup>83</sup>

The revised MAAWS also addresses issues associated with potential overlap between CERP funds and other initiatives. CERP funds are executed at the MND level by local commanders, and these projects are often located in regions where Provincial Reconstruction Teams (PRTs) and Provincial Reconstruction Development Councils (PRDCs) are in operation. In previous reports, SIGIR has observed a lack of coordination between these entities. MNC-I has since revised its CERP guidance to mandate project coordination with the PRT/PRDC program, which is funded by the ESF. MAAWS now specifies that CERP programs should coordinate with PRTs and local Iraqi officials.<sup>84</sup> Also, MNF-I and ITAO began an initiative to synchronize the funds used

through CERP and PRDC by creating a shared project listing for MND Commanders and PRT Team Leaders.<sup>85</sup>

**CERP PROJECT COSTS**

Changes in CERP spending over time have been most evident in the increase in monetary value of CERP projects and in the shift in funding uses. As funding for large infrastructure projects through the IRRF decreased, CERP funds have been used to fund repair and construction projects. In general, average construction project costs increased distinctly in late 2005. Values remained consistent until FY 2008. Thus far in FY 2008, budgeted reconstruction values for ongoing projects have declined. For an overview of budgeted project costs for ongoing projects, see Table 2.19, and for completed projects, see Table 2.20.

In early 2008, average obligations per CERP

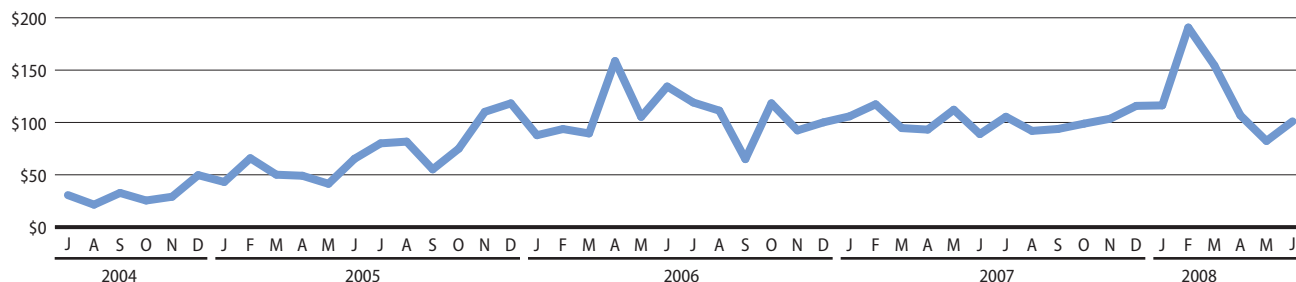
# U.S. RECONSTRUCTION FUNDING

Figure 2.13

## CERP AVERAGE MONTHLY OBLIGATIONS FOR COMPLETED PROJECTS, AS OF 6/30/2008

\$ Thousands

Source: IRMS, MNC-I Quarterly Report (6/30/2008)



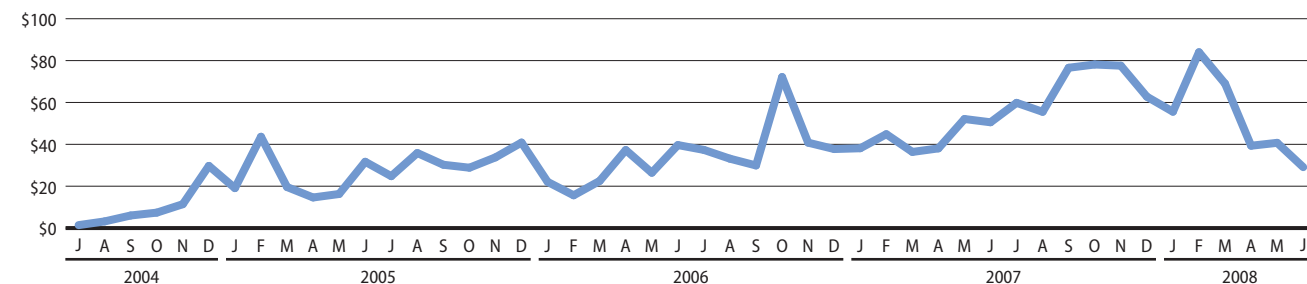
**Note:** Date shown reflects the actual completion date of projects. The CERP Program began in June 2003, funded initially with seized Iraqi assets and oil revenue from the Development Fund for Iraq (DFI). The Congress began appropriating U.S. funding for the CERP in August 2004.

Figure 2.14

## CERP TOTAL MONTHLY EXPENDITURES FOR COMPLETED PROJECTS, AS OF 6/30/2008

\$ Millions

Source: IRMS, MNC-I Quarterly Report (6/30/2008)



**Note:** Date shown reflects the actual completion date of projects. The CERP program began in June 2003, funded initially with seized Iraqi assets and oil revenue from the Development Fund for Iraq (DFI). The Congress began appropriating U.S. funding for the CERP in August 2004.

project rose sharply. This trend has leveled off in recent months. Figure 2.13 illustrates the change in obligations for completed projects since 2003, and Figure 2.14 shows CERP expenditures for completed projects over time. Average CERP costs have increased because of an increase in both the total projects and contracting of more costly projects. Most projects have consistently remained under \$500,000; however, the number and magnitude of projects above \$500,000 have steadily increased over time.<sup>86</sup> Of all CERP projects ongoing and completed, 21,351 projects, or nearly 90% of all projects, are valued at or

below \$20,000. Another 573 projects valued at more than \$500,000 each account for just more than 2% of total projects. However, as of June 30, 2008, they have been awarded more than 35% of total CERP obligations. In 2004, projects valued at more than \$500,000 accounted for only 13.7% of all CERP obligations.

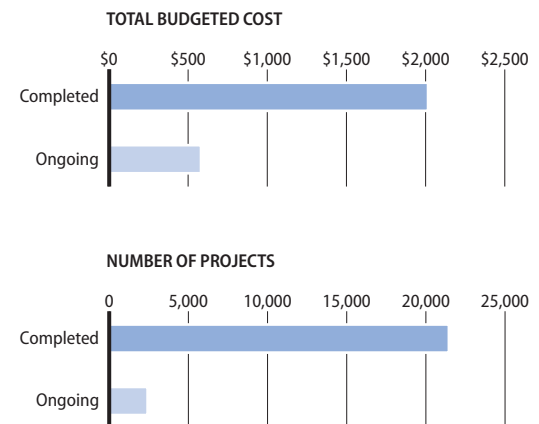
DoD officials report that this increase in project cost is due in large part to a lack of other available reconstruction money, an improved security environment in which to execute projects, and the fact that many of the most urgent short-term issues were addressed by earlier reconstruc-

Figure 2.15

## CERP PROJECT COMPLETION STATUS

\$ Millions, # Projects

Source: IRMS, CERP Excel Workbook (6/30/2008)



tion efforts, leaving more long-term and large-scale issues to be addressed.<sup>87</sup>

### MAJOR CERP PROJECTS

This quarter, 1,324 CERP projects were completed. Of all 21,453 CERP projects, nearly 83% have been completed.<sup>88</sup> Figure 2.15 shows the number and value of completed and ongoing CERP projects.

Overall, more than 2,400 projects are still ongoing. Table 2.21 details 10 major CERP projects both completed and ongoing.

### Geographic Distribution

As of June 30, 2008, more than \$2.8 billion of the CERP had been obligated for projects in all 18 provinces.<sup>89</sup> By design, CERP projects differ widely based on the priorities requested by commanders as they adapt to the evolving needs of the communities they support. A per capita analysis of project budgets by province shows that a significantly large amount per capita has been spent in the Anbar province, which has a per capita budget nearly twice that of the next largest province. Table 2.22 provides a list of the CERP per capita budgeted cost by province.

# U.S. RECONSTRUCTION FUNDING

## MAJOR CERP RECONSTRUCTION PROJECTS (\$ MILLIONS)

PROJECT NAME	TOTAL BUDGETED COST	STATUS	FORECAST/ACTUAL COMPLETION	PROVINCE
Electrical Distribution In Muhalla 312	\$11.68	Ongoing	1/31/2009	Baghdad
Oil Security Project (Security Fencing)	\$9.92	Completed	7/9/2006	Basrah
Construct Kirkuk Municipal Landfill In Tameem	\$8.82	Completed	2/8/2008	Tameem
Dibbis Pump Station - Pumps	\$8.25	Completed	2/15/2008	Tameem
Zafarnia Paving, Sewers, Etc.	\$8.06	Completed	10/29/2006	Baghdad
Fallujah Sewer Pump Stations F1, F2	\$7.60	Ongoing	9/15/2008	Anbar
Strategic Crude Oil Repair	\$7.10	Completed	3/22/2008	Basrah
Baiji Oil Refinery Infrastructure Protection Materials	\$6.92	Ongoing	9/22/2008	Salah Al-Din
Electrical Distribution In Muhalla 310	\$6.57	Ongoing	9/9/2008	Baghdad
Rehabilitate Two BIAP Domestic Terminals	\$6.56	Ongoing	9/15/2008	Baghdad

Source: IRMS, CERP Excel Workbook, June 30, 2008.

TABLE 2.21

## CERP PROJECT BUDGETS PER CAPITA

PROVINCE	BUDGET	POPULATION	BUDGET PER CAPITA
Anbar	\$425,437,409	1,280,000	\$332.37
Salah Al-Din	\$185,181,289	1,077,800	\$171.81
Baghdad	\$978,039,054	6,386,100	\$153.15
Tameem	\$123,207,807	839,100	\$146.83
Basrah	\$241,350,377	1,761,000	\$137.05
Diyala	\$164,878,595	1,373,900	\$120.01
Babylon	\$164,716,196	1,444,400	\$114.04
Qadissiya	\$75,386,175	866,700	\$86.98
Ninewa	\$174,110,452	2,473,700	\$70.38
Kerbala	\$51,804,549	756,000	\$68.52
Wassit	\$58,518,737	941,800	\$62.13
Muthanna	\$24,268,622	536,300	\$45.25
Erbil	\$76,367,943	1,845,200	\$41.39
Najaf	\$38,852,867	946,300	\$41.06
Missan	\$21,318,108	743,400	\$28.68
Thi-Qar	\$40,866,647	1,427,200	\$28.63
Dahuk	\$11,164,750	616,600	\$18.11
Sulaymaniyah	\$11,963,471	2,159,800	\$5.54

Source: IRMS, CERP Excel Workbook, June 30, 2008; Population source: UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

Note: This table does not account for \$10,059,903 in projects not tied to a province in the IRMS.

TABLE 2.22

# RECONSTRUCTION ACROSS IRAQ



section

2b

## OVERVIEW

Three important milestones define this Year of Transfer for the U.S. reconstruction program in Iraq:

- **Management and Funding:** transferring reconstruction planning, management, and funding responsibilities to Iraqi control
- **Asset Transfer:** transferring U.S.-provided reconstruction programs, projects, and assets from U.S. to Iraqi control
- **Provincial Security:** transferring provincial security responsibilities from Coalition to Iraqi forces

The U.S. reconstruction program continues capacity-building efforts within the GOI to enable the transfer and sustainment of U.S. projects as well as to strengthen Iraq's capabilities to protect its population. Complementing efforts at the national level, the Provincial Reconstruction Team (PRT) program—operating in local communities—continues to coordinate U.S. and Iraqi initiatives throughout the country's 18 provinces.

## U.S. CAPACITY BUILDING WITHIN IRAQ'S GOVERNMENT

U.S. capacity development advisors serving government ministries or institutions provide immediate support to manage the training of Iraqi civil servants—at both the national and provincial levels—in public administration functions, such as human resource and project management, procurement, and delivery of public services.<sup>90</sup> To accelerate the progress of ministry performance, the U.S. Agency for International Development (USAID) and the Department of State (DoS) work with other U.S. agencies to expand the capabilities of Iraqi ministries and other governing entities. Table 2.23 provides an overview of three U.S. capacity-building programs.

In the past, there has generally been weak coordination among the multiple agencies

implementing ministerial capacity-development programs. Agencies tended to implement their own programs with little prioritization of projects or coordinated planning. U.S. investments in capacity building are at risk if no integrated set of programs is developed.<sup>91</sup>

### FOCUS ON BUDGET EXECUTION

In view of the increasing contribution of Iraqi financial resources to support the country's rehabilitation and reconstruction, budget execution remains a matter of considerable focus. The cultural changes engendered by a more diffuse budgetary system present significant challenges that are being addressed directly by capacity-development activities.<sup>92</sup>

# U.S. CAPACITY BUILDING WITHIN IRAQ'S GOVERNMENT

## U.S. CAPACITY DEVELOPMENT INITIATIVES

PROGRAM	DESCRIPTION
<b>National Capacity Development Program (Tatweer)</b>  USAID implements through the ESF: \$204.5 million obligated; IRRF: \$4.5 million obligated	Also known as Tatweer (Arabic for "Development"), the program works closely with ministerial and executive entities. These are highlights of program activities: <ul style="list-style-type: none"> <li>• This quarter, USAID reported that 6,717 Iraqis throughout all 18 provinces participated in training through the Tatweer project. This represents a 41% increase in the number of trainees over last quarter's training figures. Classes focused on project, fiscal, and information technology, as well as management, procurement, anticorruption, leadership, and communication.</li> <li>• This quarter, 713 trainees participated in anticorruption, procurement, information technology, and human resources classes. Tatweer also provides training to Iraq's inspectors general.</li> <li>• The Ministries of Oil, Electricity, Finance, Planning and Development Cooperation, Municipalities and Public Works, Water Resources, Agriculture, Health, Justice, Human Rights, and Displacement and Migration receive Tatweer assistance.</li> </ul> The program is planned to end in July 2009.
<b>Ministerial Capacity Development Program</b>  ITAO implements through the ESF: \$45 million	The program focuses on short-term improvements and management support. The Assistance Programs Office is responsible for assisting senior advisors with managing timelines, deliverables, risk, and quality control of assigned projects.
<b>Capacity Development of Iraq's Security Ministries</b>  MNSTC-I implements through the ISFF: amount not available	Some ISFF-supported initiatives strengthen the capacity of the Ministries of Defense and Interior to develop and manage the Iraqi Security Forces. For more information, see discussions of the Ministries of Defense and Interior, later in this section.

Sources: USAID, responses to SIGIR data call, July 15, 2008, June 29, 2008, and April 14, 2008; USAID, Tatweer homepage, [www.tatweer-iraq.com](http://www.tatweer-iraq.com).

TABLE 2.23

## BENCHMARK ON BUDGET EXECUTION

Iraq and its external donors have accepted the importance of improved budget execution processes. In the *International Compact with Iraq* (Compact), the GOI listed as a priority action that more than 90% of 2007 recurrent and investment budgets be executed by the end of 2007.<sup>93</sup> This goal was not met.

## GOI REGULATIONS TO EXPEDITE SPENDING

In early 2008, as GOI budget execution fell below expectations, the Council of Ministers (CoM) adopted an approach that provided authority for ministers, heads of agencies, and governors to enter into contracts of up to \$50 million. Nine ministries were granted this authority: the Ministries of Defense, Interior, Oil, Trade, Health, Electricity, Industry and Minerals, Water Resources, and Municipalities and Public Works.<sup>94</sup>

Agencies not attached to a ministry may approve contracts of up to \$30 million, and provinces can approve those of up to \$10 million.<sup>95</sup> For details of the budget execution rates for the various ministries, see discussion of the *Ministry of Finance* in this section.











## RECONSTRUCTION ACROSS THE MINISTRIES

The overview that follows takes a closer look at reconstruction activities within a sample of the GOI's executive ministries, legislative bodies, and judicial entities—grouped by SIGIR under relevant topics: Economy, Essential Services, Governance, and Security and Justice. Table 2.24 provides a description of and key statistics for the ministries discussed in this section.













# RECONSTRUCTION ACROSS IRAQ

## OVERVIEW OF GOI MINISTRIES (\$ MILLIONS)

MINISTRY	RESPONSIBILITIES	MINISTER	CAPITAL BUDGET EXPENDITURE RATES	OPERATIONAL BUDGET EXPENDITURE RATES	INTERNATIONAL COMPACT INDICATIVE ACTIONS
<b>Economy</b>					
MINISTRY OF FINANCE	Oversees budget, economic, and finance functions.	Bayan Jabr	 <b>0%</b>	 <b>17%</b>	Goals that have been achieved include the addition of a budget review, and addition of the GFS system into budget formulation. The United States continues to work with the MOF to implement the Iraq Financial Management Information System.
			Total Budget: \$0.79	Total Budget: \$17,488.38	
MINISTRY OF AGRICULTURE	Develops and executes policies for farm and plant issues, agricultural extension, and agricultural economics.	Ali al-Bahadeli	 <b>.8%</b>	 <b>23%</b>	The 14 goals in progress include reducing or phasing out the public distribution system for food, liberalizing the agricultural market, and adjusting agricultural policies.
			Total Budget: \$140.41	Total Budget: \$70.69	
MINISTRY OF INDUSTRY AND MINERALS	Manages the development of Iraq's industrial base, including both private and state- owned enterprises (SOEs).	Fawzi al-Hariri	 <b>0%</b>	 <b>18%</b>	Establishing a framework for the privatization for selected SOEs has not yet started; identification and submittal to the CoM for the legal reforms that will be required for SOE privatization in progress; \$400 million in 2008 funds allocated for the revitalization of viable SOEs; 2,032 new business licenses issued by MIM.
			Total Budget: \$358.33	Total Budget: \$22.99	
MINISTRY OF TRANSPORTATION	Oversees the management of aviation systems, rail networks, and highways.	Vacant	 <b>.5%</b>	 <b>8%</b>	Established an Iraqi Interstate Commerce provision that prohibits provinces and regions from establishing barriers that inhibit the movement of goods within the country; noted that the action will have to be reviewed again.
			Total Budget: \$244.34	Total Budget: \$121.60	
MINISTRY OF COMMUNICATIONS	Tasked with providing telecommunications service, running the State Company for Internet Services, and managing the postal service.	Vacant	 <b>0%</b>	 <b>19%</b>	The government is in the process of developing a new media and telecommunications law to improve media freedom; total investment in the telecommunications industry is worth \$3.5 billion.
			Total Budget: \$248.89	Total Budget: \$14.44	















# U.S. CAPACITY BUILDING WITHIN IRAQ'S GOVERNMENT

## OVERVIEW OF GOI MINISTRIES (\$ MILLIONS)

MINISTRY	RESPONSIBILITIES	MINISTER	CAPITAL BUDGET EXPENDITURE RATES	OPERATIONAL BUDGET EXPENDITURE RATES	INTERNATIONAL COMPACT INDICATIVE ACTIONS
Essential Services					
MINISTRY OF OIL	Oversees the petroleum industry, including policy, refining operations, technology funding, and planning.	Husayn al-Shahristani	 0%	 2%	Goals achieved: now receives reports of all financial transactions, and publishes a monthly report on all exports; also, it has committed to the EITI.
			Total Budget: \$2,000.00	Total Budget: \$103.68	
MINISTRY OF ELECTRICITY	Manages the policies and development of Iraq's electrical systems, including distribution, transmission, and generation.	Karim Wahid	 0%	 2%	No indicative actions achieved, but progress includes creating a working group to address restructuring the MOE, finalizing an eight-year master plan, conducting project management training, and discussing reorganizing the ministry's institutional structure.
			Total Budget: \$1,146.23	Total Budget: \$89.06	
MINISTRY OF WATER RESOURCES	Responsible for managing the networks and policies related to irrigation, water supply, hydropower, flood issues, and marsh restoration.	Abd al-Latif Rashid	 2%	 36%	Actions in progress include meeting with Turkey and Syria over a Euphrates water-sharing plan and completing the first phase of the National Water Resources Management Plan.
			Total Budget: \$381.27	Total Budget: \$109.57	
MINISTRY OF HEALTH	Manages and implements policies related to Iraq's health system.	Saleh al-Hasnawi	 1%	 11%	Progress made in developing an Emergency Preparedness Response Plan, strengthening local health delivery, and promoting a family health care model. Still requires progress in providing support for the PHC system and private-public partnerships.
			Total Budget: \$23.88	Total Budget: \$1,872.79	
MINISTRY OF EDUCATION	Oversees the administration, facilities, training, supplies, and standards related to the education system.	Khudayyir al-Khuza'i	 0%	 17%	Goals achieved include education budget by 5%, distributing child allowance to families, and expanding teacher training. MOE has yet to address plans to educate those displaced by violence, expand food programs in schools, or streamline coordination between government units.
			Total Budget: \$125.00	Total Budget: \$1,891.96	

# RECONSTRUCTION ACROSS IRAQ

## OVERVIEW OF GOI MINISTRIES (\$ MILLIONS)

MINISTRY	RESPONSIBILITIES	MINISTER	CAPITAL BUDGET EXPENDITURES	OPERATIONAL BUDGET EXPENDITURES	INTERNATIONAL COMPACT INDICATIVE ACTIONS
Governance					
MINISTRY OF PLANNING AND DEVELOPMENT COOPERATION	Principally tasked with reconstruction planning and prioritization activities, but also manages other entities.	Ali Baban	 .2%	 2%	Review of improving coordination with MOF underway; PACs created to improve procurement processes.
			Total Budget: \$36.76	Total Budget: \$135.79	
MINISTRY OF FOREIGN AFFAIRS	Provides consular services in Iraq.	Hoshyar Zebari	 0%	 3%	Building capacity to negotiate and implement international treaties and agreements in progress; MOFA team following development program; two of the six indicative actions to prepare, negotiate, sign, ratify, and implement treaties and agreements not yet addressed.
			Total Budget: \$20.83	Total Budget: \$248.79	
MINISTRY OF DISPLACEMENT AND MIGRATION	Responsible for planning and coordinating policies related to all of Iraq's refugees and internally displaced persons.	Abd al-Samad Rahman Sultan	 0%	 6%	Rapid Reaction Plan developed with UN to address needs of returnees; national policy on IDPs designed; GOI co-financed UN's Consolidated Appeal Process, released in February 2008; benchmark to promote social and economic rights of vulnerable groups by end of 2007 was not part of ministry's plan for 2007.
			Total Budget: \$0.83	Total Budget: \$16.78	
MINISTRY OF HUMAN RIGHTS	Tasked with promoting human rights organizations and formulating Iraq's declaration of human rights within Iraq.	Wijdan Mikha'il	 0%	 10%	Made technical assistance for the Housing Market Information System operational, developing legislation for a range of human rights issues, training staff, and monitoring human rights activities across governmental institutions.
			Total Budget: \$1.67	Total Budget: \$13.14	
Security and Justice					
MINISTRY OF DEFENSE	Responsible for Iraq's armed forces, including policies and activities related to recruiting, training, and equipping.	Abdul Qadir Muhammed Jasmin al-Mufraji	 0%	 13%	New ministerial structure approved, military improving to the point where 10 provinces have come under Provincial Iraqi Control, and a security clearance bureau has been established for applicants.
			Total Budget: \$241.67	Total Budget: \$4,831.25	
MINISTRY OF INTERIOR	Charged with overseeing Iraq's police, border, port, and emergency personnel.	Jawad al-Bulani	 .3%	 18%	Five-year plan and new ministerial structure approved. MOI is working on strengthening anticorruption, weapons and equipment tracking, and establishing legislation for a National Intelligence Agency.
			Total Budget: \$115.93	Total Budget: \$3,806.26	
MINISTRY OF JUSTICE	Operates prisons and some jails.	Acting Minister: Safa al Safi	 1%	 21%	Achieved separation of Higher Juridical Council from the Ministry, provided monetary compensation to those working in the judiciary, and provided additional funding for judicial security.
			Total Budget: \$7.09	Total Budget: \$188.40	

Sources: DoS, *Iraq Weekly Status Report*, July 16, 2008, p. 5; U.S. Treasury, response to SIGIR data call, May 29, 2008; *International Compact with Iraq*, "A New Beginning, Annual Review," May 2007–April 2008, [www.iraqcompact.org](http://www.iraqcompact.org); DoS, "About the Iraqi Ministries," [www.state.gov](http://www.state.gov).

Note: Numbers affected by rounding. The GOI's capital budget is now known as the Project and Reconstruction Budget. Only Iraqi budget data through March 2008 was available to SIGIR on the date of publication. Not all ministries are represented in the table.

TABLE 2.24

## ECONOMY

Dominated by the oil sector, Iraq's economy has benefited from higher crude oil prices and a rise in production and export levels. Although security across Iraq remains uneven, economic activity continues to expand. But the execution of Iraq's capital and operational budgets remains a significant challenge.

### MINISTRY OF FINANCE

Iraq's Ministry of Finance (MOF) manages the national budget and is responsible for financial and economic policy, budget formulation, and tracking of budget execution.<sup>96</sup> The Central Bank of Iraq (CBI) works with the MOF like the Federal Reserve Bank works with the Department of the Treasury in the United States. The MOF manages the government funds held in the CBI.

### GOI BUDGET

In 2008, Iraq budgeted nearly \$49.89 billion for operational and capital expenditures across 26 ministries, provinces, and other executive offices, as well as legislative institutions. Reporting of both operational and capital expenditures continues to lag by about four months; the MOF has provided information on spending only through March 2008.

In July 2008, the MOF announced its intent to increase the 2008 budget by 44%, adding \$21 billion to the existing 2008 budget.<sup>97</sup> The draft supplemental budget will be debated before the economics affairs committee of the CoM and the Council of Representatives (CoR); however, the date has not yet been set.

For a discussion of provincial budgets, see Section 2c.

### GOI Capital Budget

SIGIR and the Government Accountability Office (GAO) previously identified low expenditure rates for the capital budget.<sup>98</sup> In 2007, GAO reported that all of Iraq's central ministries—the entities responsible for security and the delivery of essential services—spent only 11% of their capital budgets.<sup>99</sup> However, the Bureau of Near-Eastern Affairs-Iraq (NEA-I) reported that the GAO considered only one budget category (Non-financial Assets) as capital expenditures; therefore, it did not address a substantial portion of total investment spending.<sup>100</sup>

There are several challenges to effective capital spending in Iraq:<sup>101</sup>

- violence and sectarian tensions, which hamper the ability to keep capital projects on schedule and prevent U.S. advisors from fully supporting capacity development
- a shortage of trained budget and procurement staff with right technical skills
- weak procurement, budgetary, and accounting systems that cannot efficiently balance the execution of capital projects while protecting against reported widespread corruption

To date, the Office of the Treasury Attaché has organized and funded 8 budget execution workshops led by Iraqis, resulting in more than 240 trained ministerial and provincial officials.<sup>102</sup> The U.S. Treasury and DoS are also in the process of forming a **Public Financial Management Action Group** that will help integrate and coordinate U.S. government assistance on improving capital budget execution.<sup>103</sup>

## GOI Operational Budget

In addition to providing limited capital execution data, the MOF expenditure report combines capital and operational data without clearly differentiating between the two.<sup>104</sup> As of March 2008, only 15.9% of the budget had been expended.<sup>105</sup>

## Tracking the Budget

To improve MOF visibility over budget execution, the GOI and United States continue to discuss the implementation of the Iraq Financial Management Information System (IFMIS). Under provisions of the *International Compact with Iraq* (Compact), the GOI set targets for shifting the current manual accounting system to the IFMIS during 2007.<sup>106</sup> The United States has already invested \$26 million to support implementation of IFMIS, as of January 2008, when SIGIR released an audit on the system finding it was well short of its goal.<sup>107</sup>

The system has not been fully supported within the GOI, and security impediments created additional challenges that led to the project's suspension in June 2007. With the signing of a Memorandum of Understanding between the MOF and USAID in January 2008, the system's implementation has been resumed.<sup>108</sup> The USAID contractor plans to hand over IFMIS to the GOI in late 2008,<sup>109</sup> and ministry use of the general-ledger module of the system is scheduled to start in January 2009.<sup>110</sup> USAID estimated that the budget-formulation and purchasing modules are expected to be completed in the spring of 2009.<sup>111</sup>

## Tracking Oil Revenues

Oil revenues through the first half of 2008 topped \$33 billion.<sup>112</sup>

The MOF maintains the accounting records for the Development Fund for Iraq (DFI), through which all oil revenues are channeled. The account is situated in the Federal Reserve Bank of New York (FRBNY).

A recent International Advisory and Monitoring Board (IAMB) audit of the DFI found that the MOF's records were not complete. The audit noted differences between the amounts transferred to entities and amounts recorded as transfers in the MOF's books. According to the audit, there is no written agreement between the MOF and the Central Bank of Iraq (CBI) on the process for financing Iraq's current account from the DFI FRBNY account. The CBI has been financing the MOF's current account by withdrawing DFI funds from FRBNY in U.S. dollars and then transferring an equivalent amount in Iraqi dinars to the current account. The lack of transparency in this process is a concern.<sup>113</sup>

## STABILIZING INFLATION

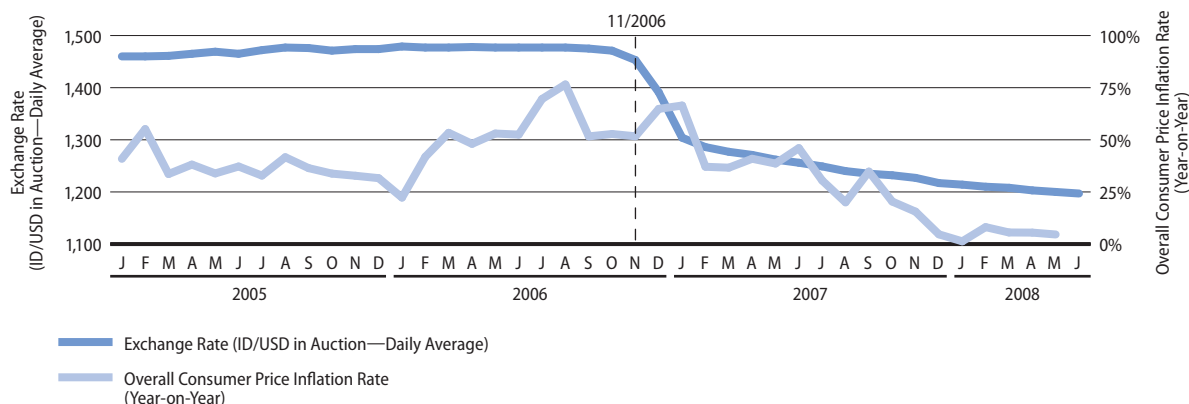
On June 22, 2008, the CBI announced a one-point reduction in the interest rate it pays on commercial bank deposits—signaling confidence that underlying inflation is under control.<sup>114</sup> The annual consumer price inflation rate (year-on-year) has remained below 10% for the first five months of 2008.

The core consumer price index spiked somewhat in April (compared to March) because of a sharp rise in food prices. The U.S. Treasury Attaché noted that April's price movements did not

Figure 2.16

**IRAQI DINAR/U.S. DOLLAR EXCHANGE RATE AND OVERALL INFLATION RATE**

Source: Central Bank of Iraq, "Key Financial Indicators" (7/2/2008)



**Note:** The line at November 2006 indicates the month that the CBI began targeting interest rates to curb rising inflation.

appear to reflect a sustained inflationary trend.<sup>115</sup> Prices in May stabilized and dropped from April's levels.<sup>116</sup> For Iraq's annual inflation and exchange rates since January 2005, see Figure 2.16.

**INTERNATIONAL DEBT RELIEF**

The MOF is responsible for negotiating debt relief with international creditors. The U.S. Treasury noted that Iraq's estimated outstanding bilateral debt is between \$53 billion and \$77 billion.<sup>117</sup>

This quarter, the United Arab Emirates announced that it will forgive Iraq's debt, which was approximately \$7 billion; as of July 14, 2008, there was no signed agreement.<sup>118</sup> The U.S. Treasury estimates that debt owed to non-Paris Club bilateral creditors that have yet to sign debt agreements with Iraq is between \$44.7 billion to \$68 billion.<sup>119</sup> Creditors in this group include Saudi Arabia (Iraq's largest creditor), China, Kuwait, Qatar, Jordan, Turkey, Egypt, Poland, Brazil, Greece, Pakistan, Tunisia, Morocco, and Algeria. As of June 2008, Iraq had received \$8.2 billion in debt relief from non-Paris Club bilateral creditors

and \$19.7 billion in commercial debt relief.<sup>120</sup>

The GOI has signed or agreed to bilateral debt restructuring terms with all Paris Club countries.<sup>121</sup> The Compact anticipated that—by the end of 2008—the last tranche of outstanding Paris Club debt will be canceled, pending successful completion of Iraq's second Stand-by Arrangement (SBA) with the International Monetary Fund (IMF).<sup>122</sup>

**STAND-BY ARRANGEMENTS**

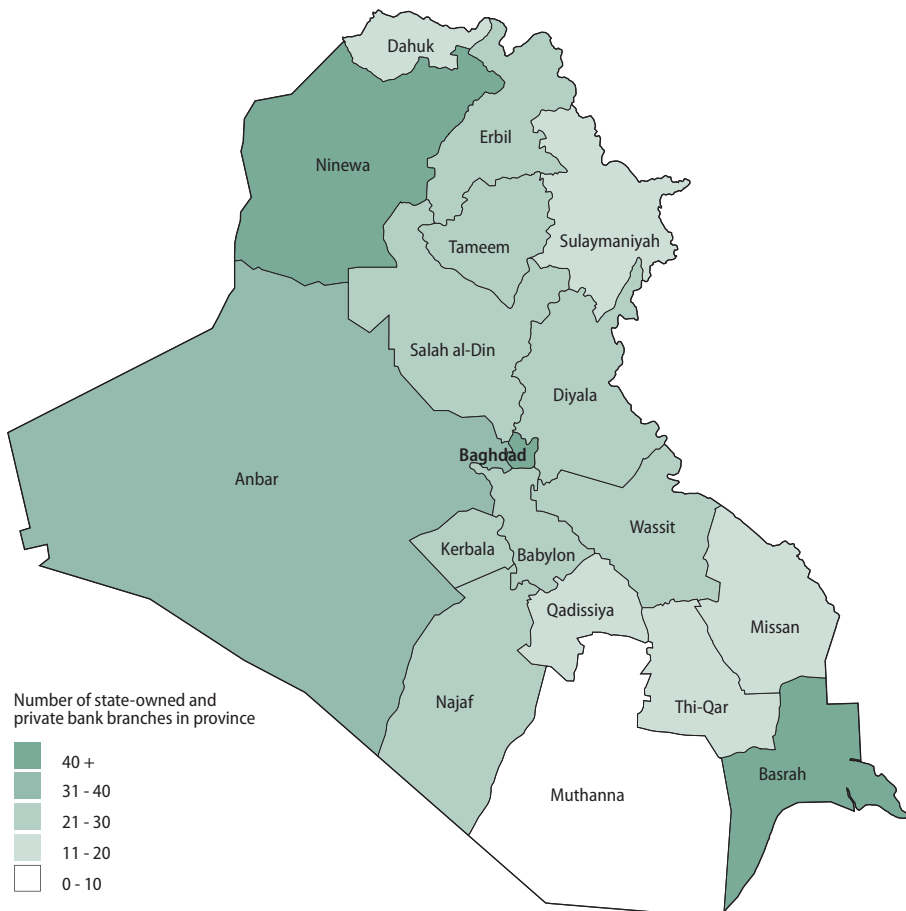
Since 2005, the IMF has approved two SBAs with Iraq—\$685 million under the first SBA, which expired in December 2007, and \$744 million under the current SBA for potential balance of payment support. Iraq has not drawn on any of the monetary support available under the SBAs because of the country's healthy balance of payments and foreign-exchange reserves position.<sup>123</sup>

Operating under the current SBA, which is effective until March 2009, Iraq is focusing on maintaining economic stability, facilitating higher revenue in the oil sector, and moving forward

Figure 2.17

## BANK BRANCHES IN IRAQ

Source: JCC-I/A, Response to SIGIR Data Call (7/6/2008)



with reforms and institution building.<sup>124</sup> The U.S. Treasury reported that Iraq is “on-track with the performance criteria and most structural benchmarks in the SBA.”<sup>125</sup>

## BANKING

Iraq’s SBA with the IMF set targets for modernizing Iraq’s banking sector, which comprises 39 banks and 724 branches located throughout the country. Most are located in Baghdad, which has more than 300 bank branches.<sup>126</sup> Figure 2.17 shows the distribution of Iraq’s bank branches.

## State-owned Bank Reform

This quarter, operational and financial audits were completed for the largest state-owned banks in Iraq. Rafidain and Rasheed banks—with World Bank and U.S. Treasury assistance—will use the audit reports to develop restructuring plans in the second half of 2008. An additional development regarding bank restructuring was Rafidain’s recent selection of a firm to develop a core banking system and pay-for-performance plans.<sup>127</sup>



### Electronic Funds Transfer

The U.S. Treasury and Task Force to Improve Business and Stability Operations in Iraq aims to reduce cash transactions by improving electronic funds transfer (EFT) capabilities in public and private banking institutions. As of June 2008, there were 13 EFT-capable banks operating through about 170 EFT-capable branches in Iraq.<sup>128</sup>

JCC-I/A's **Host Nation EFT Program** calls for payments on any contract awarded for more than \$50,000 to be paid electronically. As of the end of June 2008, 91% of about \$42 million paid on JCC-I/A contracts was made via EFT.<sup>129</sup>

In partnership with the U.S. Treasury Attaché, JCC-I/A launched the EFT Assistance Center on April 15, 2008. The goal of the center is to extend the EFT program to other U.S., private-sector, and GOI entities throughout Iraq.<sup>130</sup>

### FINANCE

Several U.S.-supported programs are extending micro-grant and loan programs to stimulate economic development for local businesses.

#### Micro-grants

USAID's **Iraq Rapid Assistance Program (IRAP)** is managing the implementation of 11 microfinance grants (valued at nearly \$2.2 million) that have been approved and obligated. Total grant disbursements exceed \$900,000. Seven grants were awarded in Baghdad and one each in Kirkuk, Anbar, Babylon, and Ninewa.<sup>131</sup>

Another grant program is managed by USAID's **Community Stabilization Program (CSP)**, which awards private business grants ranging from \$500 to \$100,000 for the

micro-, small-, and medium-enterprise (MSME) program. MSME private business grants take the form of equipment and materials; there are no cash disbursements.<sup>132</sup> Table 2.25 provides the status of CSP grants. For more information on CSP, see Section 2a of this Report.

#### Loan Guarantees

Formed by 11 private Iraqi banks with the assistance from USAID, the Iraqi Company for Bank Guarantees (ICBG) is providing access to financing for small- and medium-sized enterprises. For an overview of the 42 loans guaranteed by ICBG member banks,<sup>133</sup> see Table 2.26. For an example of ICBG efforts, see the discussion of *Wassit* province in Section 2c.

### MINISTRY OF AGRICULTURE

Iraq's agricultural sector employs more people than any other industry, amounting to about 25% of the Iraqi workforce.<sup>134</sup> This quarter, drought continued to affect crops. Barley production is down an estimated 60% from 2007, and wheat production is down 36%.<sup>135</sup> For more information on the impact of the drought—including an update on several U.S. programs that support agricultural development in the provinces, see Section 2c.

The Ministry of Agriculture (MOA) manages Iraq's plant and animal research and development, agricultural extension, veterinary services, and agricultural economics. It recently completed a spraying initiative aimed at protecting the country's commercial date palms. Pilots and maintenance crews sprayed nearly 170,000 acres in 6 provinces last year. The MOA made an additional \$20 million available to buy new helicopters and



## CSP GRANT STATUS, AS OF 6/10/2008

PROVINCE	# GRANTS APPROVED	OBLIGATIONS	EXPENDITURES
Baghdad	3,497	\$26,837,854	\$15,565,248
Ninewa	862	7,333,092	941,317
Tameem	888	5,542,695	2,903,795
Diyala	20	274,285	3,450
Basrah	103	313,776	47,086
Babylon	96	576,496	45,180
Anbar	1,508	10,520,138	6,676,462
<b>Totals</b>	<b>6,974</b>	<b>\$51,398,336</b>	<b>\$26,182,538</b>

Source: USAID, response to SIGIR data call, June 29, 2008.

TABLE 2.25

## ICBG GUARANTEED LOANS, BY PROVINCE

PROVINCE	# OF LOANS	VALUE OF LOANS
Sulaymaniyah	14	\$564,675
Babylon	11	414,608
Erbil	11	232,000
Baghdad	5	68,333
Kerbala	1	15,500
<b>Total</b>	<b>42</b>	<b>\$1,295,116</b>

Source: USAID, response to SIGIR data call, June 29, 2008.

Note: This table includes additional small and micro-enterprise lending by the commercial banks; the money lent is the banks' money underwritten by the banks.

TABLE 2.26

spare parts for crop treatment in 2009.<sup>136</sup> In the past two years, Iraq has begun to revitalize its date palm industry for export.<sup>137</sup>

## U.S. AGRICULTURAL EFFORTS

This quarter, the U.S.-funded **Iraq Agriculture Extension Revitalization project**—which aims to build the institutional capacity of the MOA and Iraq's agricultural universities—continued training for Iraqi farm workers.

As of June 29, 2008, 20 workshops and training for 700 Iraqi workers were held. Moreover, there have been 21 special grants provided to farmers and extension workers to further develop skills learned during training. The U.S. Department of Agriculture granted \$5.7 million for the project, of which 85% has been expended.<sup>138</sup>

Several other U.S. efforts supporting agricultural development at the local level are discussed in the *Provincial Snapshots* in Section 2c.

## MINISTRY OF INDUSTRY AND MINERALS

The Ministry of Industry and Minerals (MIM) focuses on the development of Iraq's industrial base, which includes both private and state-owned enterprises (SOEs). In 2007, the MIM awarded more than 2,000 licenses to establish new private sector businesses and provided capacity-building courses with the United Nations Industrial Development Organization to develop entrepreneurs in small and medium enterprises.<sup>139</sup>

The GOI set a Compact benchmark to

establish the legislative and institutional framework for initiating privatization of select SOEs, but that process has yet to begin.<sup>140</sup>

The GOI reportedly plans to allocate about \$1.2 billion to restart or privatize SOEs.<sup>141</sup> The GOI allocated \$400 million in 2008 for the rehabilitation of viable SOEs, and the CoR has requested a similar amount be allocated for 2009 and 2010.<sup>142</sup>

### **U.S. TASK FORCE TO IMPROVE BUSINESS AND STABILITY OPERATIONS**

The U.S. DoD Task Force to Improve Business and Stability Operations (Task Force) focuses on revitalizing Iraq's economy through several activities:<sup>143</sup>

- restarting idle SOEs and private industrial enterprises in Iraq
- in conjunction with the Joint Contracting Command-Iraq/Afghanistan, directing the contracting of U.S. and Coalition reconstruction materials to rely on Iraqi-supplied products
- reestablishing intra-Iraqi and regional demand
- regenerating global supply relationships with the international community
- enabling the connection of Iraq's banking sector with the international finance community

This quarter, SIGIR issued a report that provides information on the Task Force's activities and funding. SIGIR's future work will include audits that evaluate issues such as the effectiveness of this and other economic assistance programs and coordination among the various U.S. economic assistance programs.

According to SIGIR's July 2008 report, the Task Force received about \$180 million in FY 2007 and FY 2008 allocations from Global War on Terror (GWOT) and Iraqi Freedom Fund monies.<sup>144</sup> More than 94% has been obligated, and the Task Force has requested an additional \$49 million in the FY 2009 GWOT budget. To date, \$50 million in grants to restart 34 SOEs has been made available. Through all of its efforts, the Task Force estimates that it has created 100,000 Iraqi jobs, of which 25,000 were generated from the restart of the 34 SOEs.

### **MINISTRY OF TRANSPORTATION**

The Ministry of Transportation (MOT) is responsible for the policy and planning related to Iraq's transportation system, which includes aviation, maritime, railway, and highway conveyances.

#### **IRAQ REPUBLIC RAILWAY**

This quarter, Iraq Republic Railway (IRR) train movements totaled 1,570—up nearly 200% from the same period last year. An improved security situation has allowed the IRR to conduct more train movements.<sup>145</sup>

The Transportation Attaché's Office has provided the IRR and the MOT with a detailed strategic plan that addresses issues within the IRR organization that need to be modified to produce an organization that can effectively meet the rail freight service requirements of Iraq. These are some of the challenges facing the IRR:<sup>146</sup>

- **Repair.** Mechanical repair services are ineffective because of insufficient management capacity and lack of skilled labor.

- **Maintenance.** The lack of an ongoing track maintenance program has resulted in a spike in derailments as the deteriorated rail infrastructure sustains increased use.
- **Human Resources.** Transportation services at the IRR are severely limited by the inability of current IRR management to hire and train additional conductors and engineers.
- **Management.** IRR management is fragmented and incapable of operating a functioning railroad.

The MOT has earmarked \$960 million for the reconstruction of the IRR between Baghdad and Rabiya and Baghdad and Basrah. The MOT has indicated that the additional capital funding will be used to buy construction materials for the rail project; the IRR will supply construction management and personnel to complete the work.<sup>147</sup>

## AVIATION

This quarter, Boeing and the GOI announced a nearly \$5 billion order for 40 commercial airplanes. The agreement marked the single largest purchase of aircraft ever made by the GOI.<sup>148</sup> Figure 2.18 shows total flights (civilian and military) in Iraq's provinces with airports.

Operating under a three-year contract awarded in July 2007, the United States is providing assistance to prepare Iraqi controllers managing air-traffic control facilities. Training is now being conducted by a contractor at three facilities under the International Civil Aviation Organization standards.<sup>149</sup>

The Baghdad Area Control Center (BACC) provides air-traffic services to approximately 150

daily flights, generating more than \$6 million in revenue for Iraq since its opening in August 2007. The BACC controls all Iraqi airspace above 29,000 feet, and the facility is the first in the country to use high-altitude radar for air-traffic services.<sup>150</sup> The Transportation Attaché anticipates that the BACC facility will be self-sustaining by March 2009.

On January 18, 2008, the first air-traffic controller was certified at the Baghdad Air Traffic Control Tower (ATCT)—Baghdad's second facility. On the basis of current facility certifications, the ATCT should be self-sustaining in its current configuration by January 2009.

The Basrah ATCT is the facility closest to being self-sufficient. Enhanced Aviation English proficiency is an identified weakness, and an instructor was hired this quarter. OTA forecasted that the Basrah ATCT will have sufficient staffing to run autonomously without British and U.S. contractor assistance by December 2008.

## MINISTRY OF COMMUNICATIONS

The Ministry of Communications is responsible for providing basic telecommunications services to the public, government, and business. Iraq's telephone system continues to improve. Of the nearly 15 million Iraqis with phone service of some kind, 13.4 million are global system for mobile (GSM) communication subscribers. More than 800,000 Iraqis are reported to subscribe to some kind of Internet service.<sup>151</sup>

The United States has obligated \$860 million and expended \$720 million in the transportation and communications sectors.<sup>152</sup> In October 2003, the UN/World Bank Joint Iraq Needs Assessment

### CIVILIAN AND MILITARY AIR TRAFFIC COUNT, BY PROVINCE

Source: Frito, response to Green Data call (6/25/2000).



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## ESSENTIAL SERVICES

Notwithstanding improvements in oil and electricity production, rebuilding infrastructure and improving the provision of water, sanitation, health care, and education remain critical priorities in the Year of Transfer. This section takes a closer look at both GOI and U.S. efforts in Iraq's primary essential service ministries—the Ministries of Oil, Electricity, Water Resources, Health, and Education.

A new program, the Iraqi-Commander's Emergency Response Program (I-CERP), is directing GOI funds using the U.S. CERP mechanism. The GOI has directed the focus of this program toward essential-service projects, which include schools, water purification plants, health clinics, city planning facilities, roads, sewers, and irrigation.<sup>157</sup> Thus far, most projects have been listed in the Education and Civic Infrastructure Repair categories.<sup>158</sup> For more information on I-CERP, see Section 1, *SIGIR Observations*.

### MINISTRY OF OIL

The Ministry of Oil is responsible for the operations, planning, and policy related to Iraq's petroleum industry, the largest component of Iraq's gross domestic product. Oil production continued to rise this quarter. Rising production is attributed to:<sup>159</sup>

- the Ministry of Oil's ability to stabilize its operations
- the improving security environment
- better-coordinated repair efforts

The U.S. Embassy reported that there have been no pipeline interdictions in 2008, as of June 30, 2008.<sup>160</sup> Figure 2.19 provides the total number of pipeline interdictions since the beginning of 2006.

### PRODUCTION AND EXPORTS

This quarter's oil production was the highest reported since the reconstruction program began five years ago. The quarterly average was 2.43 million barrels per day (MBPD)—a 2% increase from the figure reported by ITAO last quarter and a 16% increase from the average from the same quarter last year.<sup>161</sup> This average exceeded the 2.2 MBDP goal established by the Ministry of Oil<sup>162</sup> and approached the pre-war (1998-2002) daily oil production average of 2.58 MBPD.<sup>163</sup>

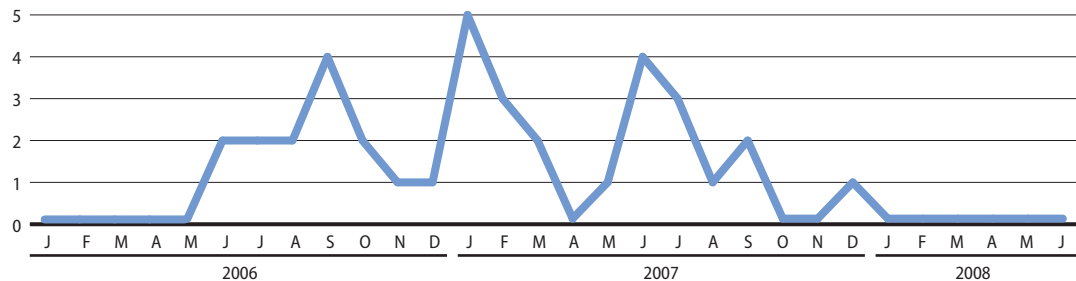
Exports have remained consistent for 2008 at around 1.89 MBPD.<sup>164</sup> But this quarter's export average is more than 19% higher than the same time last year.<sup>165</sup>

Rising oil prices continue to increase Iraq's oil revenues. Iraq's 2008 oil revenues are estimated at \$33.1 billion,<sup>166</sup> as of July 2, 2008. If the upward trend continues, they could reach as high as \$70 billion for 2008.<sup>167</sup> Figure 2.20 shows the quarterly export and production averages and the OPEC average spot price for crude oil.

Figure 2.19

**TOTAL PIPELINE INTERDICTIONS**

Source: ITAO, Response to SIGIR Data Call (7/6/2008)



**INVESTMENT IN THE OIL SECTOR**

As of June 30, 2008, the United States has obligated \$1.97 billion and expended \$1.86 billion in this sector.<sup>168</sup> In 2003, the CPA estimated that \$8 billion would be needed from 2004 to 2007 to rebuild the oil infrastructure in Iraq.<sup>169</sup>

The GOI capital investment budget for 2008 allocated \$2 billion to the Ministry of Oil. But last quarter, ITAO estimated that a capital investment program of at least \$100 billion would be needed to rebuild Iraq's oil infrastructure.<sup>170</sup>

The Ministry of Oil spent just 60% of its budget in 2007.<sup>171</sup> This quarter, Iraq's oil minister stated that the ministry's investment in the oil sector mostly involved the rehabilitation of oil wells.<sup>172</sup> Table 2.27 lists the budget execution rate for the ministry's various investments. This quarter, the Minister of Oil noted that investment and expenditure would quicken in the second half of this year as 105 new fuel refineries are established.<sup>173</sup>

**PIPELINE EXCLUSION ZONES**

Pipeline Exclusion Zones (PEZs) are being created through a highly effective U.S.-funded program to protect Iraq's pipelines. PEZ projects have been credited with a decline in pipeline interdictions throughout the country and the concomitant rise in oil exports—now

consistently an additional 350,000–500,000 barrels each month.<sup>174</sup>

This quarter, SIGIR inspected the **Kirkuk-to-Baiji PEZ (Phase 3)** project. During SIGIR's site visit in June 2008, inspectors found that the fences, berms, ditches, wire, and guardhouses were in compliance with contract designs and specifications. Moreover, SIGIR observed Iraqi Army soldiers manning the guardhouses at each road crossing. These were the project's objectives:

- Reduce oil pipeline interdictions.
- Improve the reliability of crude oil delivery from the Kirkuk oil field to the Baiji Oil Refinery.
- Increase exports of northern crude oil via the Iraq-to-Turkey Pipeline.

The SIGIR assessment, reported that:<sup>175</sup>

- There have been no reported pipeline interdictions since the project started in June 2007.
- Northern crude oil exports have increased by approximately 91.3 million barrels (worth \$8.2 billion), which represents a 239:1 return on the \$34.4 million project.

As of June 30, 2008, nearly \$88 million of the ESF has been obligated, and more than \$42 million has been expended through the **Infrastructure Security Protection** program, which is

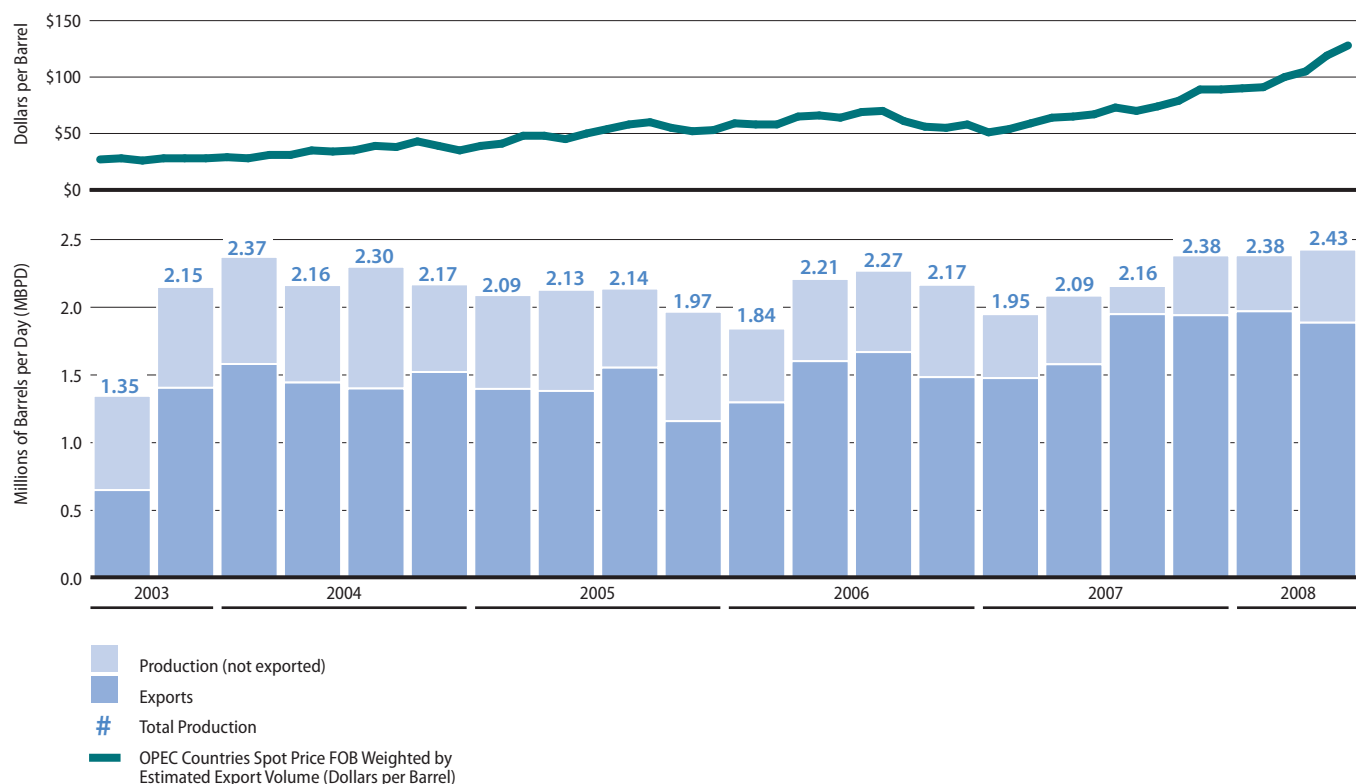
# RECONSTRUCTION ACROSS IRAQ

Figure 2.20

## IRAQ'S PRODUCTION AND EXPORT OF CRUDE OIL VS. MARKET PRICE FOR OIL

Millions of Barrels per Day (MBPD), Dollars per Barrel

Source: ITAO, *Monthly Import, Production, and Export Spreadsheet* (April 2008); U.S. Energy Information Administration, "World Crude Oil Prices: OPEC Average" (7/9/2008); Energy Fusion Cell, *Daily Oil Report* (4/30/2008, 5/29/2008, 6/30/2008)



**Note:** Numbers are affected by rounding. Daily export and production averages for this quarter were compiled from the 30-day rolling averages reported by the Energy Fusion Cell (EFC) on April 30, May 29, and June 30, 2008. Oil production and export data provided by ITAO has not been reconciled or adjusted for accuracy. The data provided is unofficial and meant only for general awareness. For official oil figures, visit the Ministry of Oil's website at [www.oil.gov.iq](http://www.oil.gov.iq). Iraq does not receive the OPEC average for its oil. This graphic shows the general trend in oil prices.

## MINISTRY OF OIL – INVESTMENT PROGRAMS

AREA OF INVESTMENT	PERCENTAGE OF BUDGET EXECUTED IN 2007
Development of production of the extraction sector	72%
Oil and gas exploration (annual program)	65%
Drilling operations in the North and the South (annual program)	94%
Energy Services	51%
Reconstruction of the oil sector	64%
Projects to enhance conversion	38%
National manufacturing (annual program)	51%
Manufacturing small refineries	22%

Source: *International Compact with Iraq, "A New Beginning: Annual Review,"* May 2007-April 2008, p. 51, [www.iraqcompact.org](http://www.iraqcompact.org).

TABLE 2.27

supporting the various PEZ projects throughout Iraq.<sup>176</sup>

### HYDROCARBON LEGISLATION

The CoR continues to discuss the **Hydrocarbon Law**. Although the draft law has been submitted to the CoR since February 2007, political differences have delayed its passage.<sup>177</sup>

GOI and KRG officials met in April 2008 and mid-June 2008 to continue the negotiations, but no agreements were reached.<sup>178</sup> However, the U.S. Embassy noted that “how KRG production sharing contracts with international oil companies will be treated under the new legal and regulatory regime continues to be an issue of contention.”<sup>179</sup>

Last quarter, the CoM was reviewing the **Revenue Management Law**, a piece of the Hydrocarbon Package. The law intended to set the framework for sharing oil revenue among the provinces. Although the law has been drafted, negotiations continue regarding the percentage of hydrocarbon revenues that could be allocated to national-level projects before the regional government allocations could be determined.<sup>180</sup>

The GOI continues to collaborate with major international oil companies to explore and develop Iraq’s oil fields—aiming to expand production by 500,000 barrels per day within a year.<sup>181</sup> Iraq recently completed a short-list of 35 foreign companies bidding for investment in oil exploration service contracts with the GOI, but companies cannot start work until the hydrocarbon framework legislation passes.<sup>182</sup>

### METERING

A recent International Advisory and Monitoring

Board (IAMB) audit found that crude oil could not be reliably measured because of the absence of a broadly implemented metering system. The IAMB found that for Iraq to achieve financial transparency and accountability in accordance with standard oil industry practices, there must be operable metering systems in oil fields and at refineries, as well as the oil terminals.<sup>183</sup> For 2007, the IAMB was unable to reconcile the status of 13.8 million barrels of oil produced.

The United States supported the installation and renovation of the meters at the Al Basrah Oil Terminal (ABOT), and they have been transferred to the Ministry of Oil. When the U.S.-funded portion of the project was completed, Iraqi operators were trained on the use of the automated meter systems. Since transfer of the project, the GOI and the operating companies have been responsible for the recordkeeping, maintenance, and calibration work needed to meet international standards to permit the meter systems to be used for custody.<sup>184</sup>

As of June 30, 2008, the ABOT meters were not being used for custody transfer, but rather, as check meters. Iraq’s South Oil Company has a contractor working on establishing the record-keeping, maintenance, and calibration processes required to use the meters for custody transfer, but progress has been slowed by mechanical issues.<sup>185</sup>

### REFINED FUELS

Iraq continues to struggle to meet the economy’s need for refined fuels. In a recent audit of the Development Fund for Iraq (DFI), IAMB noted that Iraqi refineries are operating 10% below oil



industry benchmarks for normal outputs of the oil refining process,<sup>186</sup> but the Ministry of Oil made some progress on refined-fuel projects this quarter:<sup>187</sup>

- **Siniyah Refinery** was restarted and has received a constant flow of crude oil since March 2008.
- **Haditha Refinery** has been restored and was expected to become operational by the end of June 2008.
- **Doura Refinery** continues to be expanded with the construction of a processing unit that will add 70,000 barrels per day of production to the network.

This quarter, the Ministry of Oil signed agreements with the Iraq Republic Railway to deliver diesel fuel, kerosene, crude oil, heavy fuel oil, and liquefied petroleum gas to various locations throughout the country.<sup>188</sup>

U.S. efforts to assist the GOI in transporting refined fuels include work on the Baiji-to-Baghdad crude and refined-fuel pipelines. The estimated completion date of the refined fuel pipelines is December 2008, with the completion date for the crude pipeline yet to be determined.<sup>189</sup>

The Ministry of Oil continues to struggle to meet the energy needs to operate refineries. This quarter, as a result of **Tatweer Energy** efforts, an American company indicated willingness to contract with the Ministry of Oil to make nine turbines operational that had been imported to Iraq several years ago.<sup>190</sup>

## MINISTRY OF ELECTRICITY

Iraq's Ministry of Electricity (MOE) oversees the planning, policy, and implementation of Iraq's electrical system. Average daily electricity production for the quarter ending June 30, 2008, was 4,400 megawatts (MW) (including an average of about 390 MW imported)—a 12% increase from this quarter last year.<sup>191</sup> This is the second highest quarterly average since the start of the war. The highest quarterly average for actual production, 4,550 MW per day, was reached during the quarter ending September 30, 2007.<sup>192</sup>

The Energy Fusion Cell reported that a new peak generation was reached on July 8, 2008, when 5,615 MW was produced during the peak hour.<sup>193</sup> To date, U.S. projects have added 2,500 MW of capacity to the national grid.<sup>194</sup>

The quarterly average of output over time—which is how customers experience power usage<sup>195</sup>—was nearly 105,500 megawatt-hours (MWh) per day. This quarter's average was nearly a 12% increase from the same quarter last year. The recent increase in electricity output has been attributed to increased imports of diesel fuel, preventative maintenance of critical equipment, and a reduction in transmission line interdictions.<sup>196</sup>

## U.S. GOALS

Between 2004 and 2006, U.S. generation goals ranged from 110,000 MWh to 127,000 MWh per day;<sup>197</sup> through mid-2007, DoS continued to use the 110,000 MWh goal to track weekly progress.<sup>198</sup> However, the United States has stopped setting metric goals for electricity production.<sup>199</sup> The current U.S. goal is “to provide electricity in a reliable and efficient manner to as many Iraqi

citizens as possible, and for as many hours as possible.”<sup>200</sup> A recent GAO audit reported that the United States no longer sets metrics for the electricity sector because:<sup>201</sup>

- U.S. projects only constitute a portion of Iraq’s electricity sector.
- There are too many variables that may affect projections.

Figure 2.21 compares Iraq’s electricity output over time to the previous 110,000 MWh goal.

### U.S. O&M SUSTAINMENT INITIATIVES

ITAO noted that recent electricity gains have been attributed primarily to the U.S.-funded operations, maintenance, and sustainment (OMS) program, which aims to increase the productivity of existing generators. For the first four months of 2008, plants targeted by OMS efforts have

increased production by 30% per month over the same period last year.<sup>202</sup>

In addition to increases in output, the OMS program has improved the availability and reliability of generation plants. The OMS-supported plants have experienced fewer outages compared to non-OMS plants.<sup>203</sup>

The estimated completion date of the OMS program is September 9, 2008, unless the MOE starts to pick up the funding for the program.<sup>204</sup> ITAO reported that the MOE has yet to take any steps to retain the current contract or to replace the program with an alternative.<sup>205</sup> With no programs in place, this U.S. reconstruction investment could be at risk.<sup>206</sup>

### ELECTRICITY IN THE PROVINCES

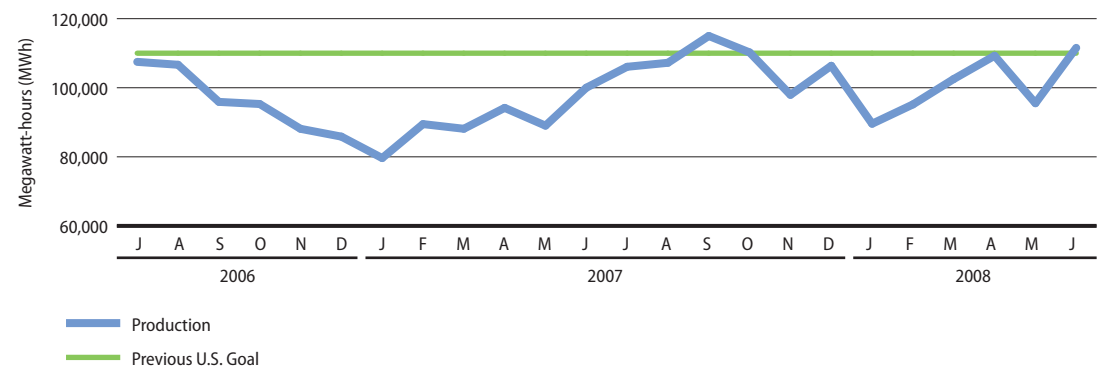
Consistent delivery of electricity throughout the country remains a challenge, and demand con-

Figure 2.21

#### DAILY ELECTRICITY PRODUCTION OVER TIME

Megawatt-hours (MWh)

Source: ITAO, *IRMO Electric Daily Units Performance Report* (7/1/2006–6/29/2008); ITAO, *Weekly Status Reports* (7/1/2006–6/29/2008)



**Note:** Production includes imports. Numbers are affected by rounding. These figures are monthly averages of daily production averages.

tinues to outstrip supply in every province. Figure 2.22 shows the daily average output and demand by province for the quarter, ending June 30, 2008.

Baghdad consumes more than any other province, and it continues to struggle to meet the demand for electricity. To help alleviate Baghdad's power shortage, the Ministry of Electricity is engaged in these activities:<sup>207</sup>

- purchasing and installing \$380 million in generators throughout Baghdad and the surrounding areas
- attempting to enforce the provincial daily allocation plan,<sup>208</sup> which would increase available daily power by 10% to 30% of that which is allotted to Baghdad City
- building a 132-kV transmission line from the Al Rasheed substation to Karkh, which will increase reliability of electricity to west Baghdad

Ongoing challenges to supplying electricity throughout the country include water and fuel shortages, equipment failures, damage to power lines, reliance on foreign power, and years of system neglect.<sup>209</sup>

## Grid Instability

One of the reasons for the instability of the grid is the lack of effective power sharing and load management. MNF-I's Energy Fusion Cell noted this quarter that the "high number of recent blackouts indicates a growing problem of poor control resulting from a lack of compliance with the Ministry of Electricity's loan plan and orders."<sup>210</sup> Table 2.28 provides the statistics of the grid shutdowns for 2007 and 2008. To increase the reliability and enable the grid to transmit electricity, 46 electrical towers between Baghdad to Diwaniya, and 85

from Baghdad to Al-Musayab have been hardened.<sup>211</sup>

## INVESTMENT IN THE ELECTRICITY SECTOR

The United States has obligated \$4.96 billion and expended nearly \$4.62 billion in this sector.<sup>212</sup>

To date, U.S. projects have added 2,500 MW of capacity to the national grid.<sup>213</sup> Transitioning to more technical support, ITAO aims to assist the MOE in developing and implementing plans to supply natural gas to power plants, locating and assessing new generating plants, and determining adequate fuel sources.<sup>214</sup>

More than \$1.5 billion of the Iraqi budget was made available to the MOE in 2007, but the ministry estimates that at least \$25 billion will be needed for capital improvements in the sector.<sup>215</sup> It plans to add 20,000 MW of generating capacity through either new or rehabilitated power plants.<sup>216</sup> ITAO is assisting the MOE in acquiring supplemental funding for infrastructure improvements and with bidding, contracting, and project-management capabilities.<sup>217</sup>

## COORDINATION BETWEEN MINISTRY OF ELECTRICITY AND MINISTRY OF OIL

One of the continuing problems for the MOE is the ability to obtain adequate fuel to operate electricity generators. According to the 2008 Electrical Transition Plan, which was developed by ITAO, approximately 500 MW are not being generated because of shortages in available fuel; another 350 MW is lost to the use of suboptimal fuels for various generators.<sup>218</sup>

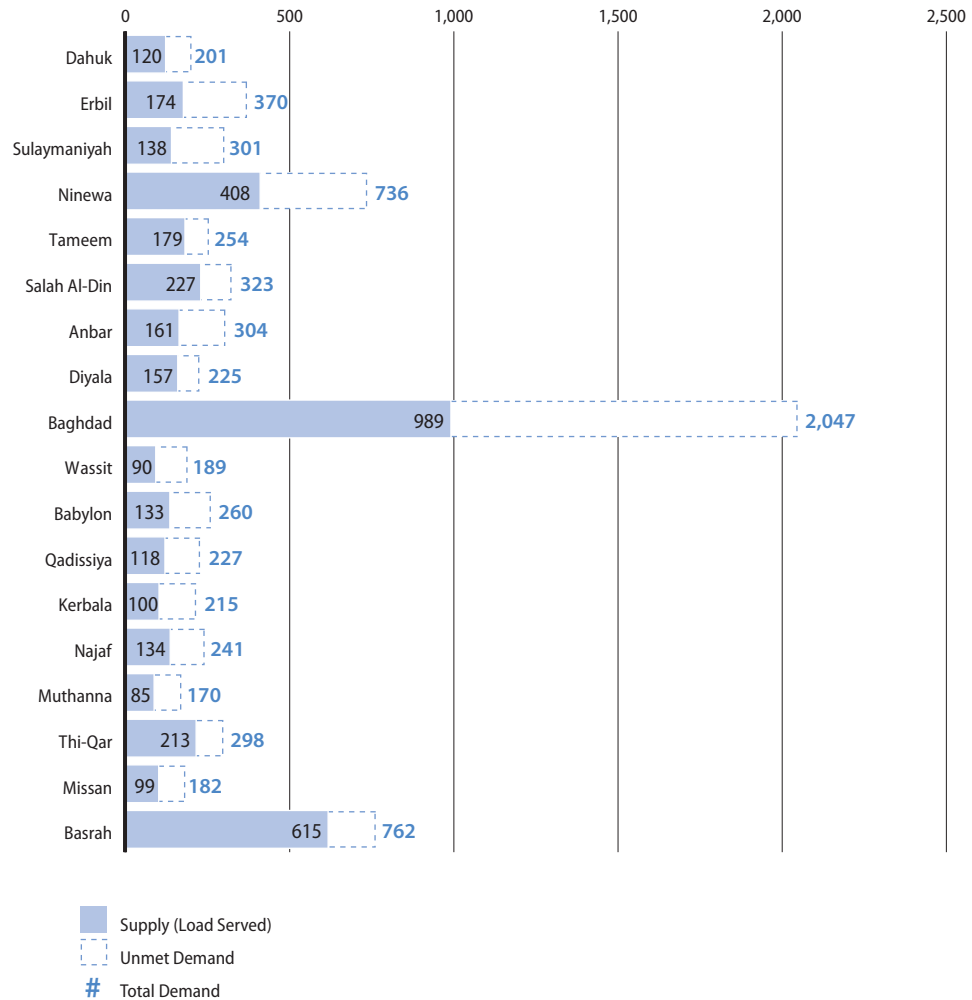
Through the *International Compact with Iraq* (Compact), the GOI has committed to

Figure 2.22

## AVERAGE DAILY ELECTRICITY LOAD SERVED AND DEMAND, BY PROVINCE

Megawatts (MW)

Source: ITAO, *IRMO Electric Daily Units Performance Report* (4/1/2008–6/29/2008); ITAO, *Weekly Status Reports* (4/1/2008–6/29/2008)



**Note:** Numbers are affected by rounding.

## IRAQ ELECTRICITY GRID SHUTDOWNS, 2007 AND 2008 (AS OF 6/30/2008)

	2007	(1 <sup>ST</sup> HALF) 2008
National Grid Total Shutdowns	2	2
North Region Grid Shutdown (separate from National Grid)	26	18
South and Central Region Grid (separate from North Grid)	15	7

Source: GRD, response to SIGIR data call, July 2, 2008.

TABLE 2.28

implement a coordinated and integrated energy policy.<sup>219</sup> This quarter, MNF-I requested that the Iraqi Prime Minister establish a ministerial-level oversight committee to develop an Iraqi National Energy Strategy;<sup>220</sup> however, to date, the plan has not been released. Through its Tatweer program, USAID facilitated an agreement between the two ministries to conduct joint-level strategic planning workshops that started on May 25, 2008.<sup>221</sup> According to DoD, the Iraqi Prime Minister is leading weekly coordination meetings with the two ministers.<sup>222</sup>

## MINISTRY OF WATER RESOURCES

The Ministry of Water Resources (MOWR) provides water management of irrigation, water supply, hydropower, flood control, and environmental needs throughout the country.<sup>223</sup> There are regional variations in access to improved water sources in Iraq.

Only 47% of people in rural areas use drink-

ing water supplied via pipes to their residences. In urban areas, disparities are more severe; only 2% of people in Basrah have access to improved drinking water sources.<sup>224</sup> Only 20% of families outside of Baghdad province have access to working sewage facilities.<sup>225</sup> Moreover, Iraq has no metering for water usage and no measurement of the quality of the potable water supply.<sup>226</sup>

## U.S. SUPPORT TO THE WATER SECTOR

The United States has obligated about \$2.7 billion and expended \$2.4 billion in the water sector.<sup>227</sup> Table 2.29 provides an overview of U.S. water project outputs as of June 30, 2008. The U.S. goal for water projects was to provide the capacity for 2.4 million cubic meters per day; current capacity added by U.S. projects totals 2.3 million cubic meters per day.<sup>228</sup> This quarter, SIGIR audited a water sector reconstruction contract with FluorAMEC, LLC, which was awarded to provide design-build water projects in southern Iraq. Two task orders (**Nassriya Water Supply** and

### U.S. WATER PROJECT METRICS

METRIC	VALUE	CHANGE FROM LAST QUARTER
Output of U.S. potable water projects	2.3 million cubic meters per day	2% increase
Number of people currently served by U.S. potable water projects and the number expected to gain access to potable water through remaining U.S. projects	8 million	Unchanged
Output of U.S. sewerage projects	1.2 million cubic meters per day	Unchanged
Number of people served by U.S. sewerage projects	5.1 million	Unchanged

Source: ITAO, response to SIGIR data call, June 29, 2008.

TABLE 2.29

STATUS OF PHC PROGRAM, BY PROVINCE

PROVINCE NAME	TURNED OVER	CONSTRUCTION COMPLETE	UNDER CONSTRUCTION	CANCELED	TOTAL
Dahuk	3	0	0	0	3
Erbil	7	0	0	0	7
Sulaymaniyah	6	0	0	0	6
Ninewa	6	1	1	1	9
Tameem	5	0	0	0	5
Salah Al-Din	6	1	1	0	8
Anbar	1	0	4	2	7
Diyala	1	4	2	2	9
Baghdad	26	2	0	2	30
Wassit	6	0	1	0	7
Babylon	5	2	0	0	7
Qadissiya	3	2	0	0	5
Kerbala	3	3	1	0	7
Najaf	5	1	0	0	6
Muthanna	3	0	0	0	3
Thi-Qar	3	0	5	0	8
Missan	3	0	0	1	4
Basrah	5	0	4	2	11
<b>Total</b>	<b>97</b>	<b>16</b>	<b>19</b>	<b>10</b>	<b>142</b>

Source: GRD, response to SIGIR data call, July 2, 2008.

TABLE 2.30

Basrah Sewage projects) were completed, and two projects (Diwaniya Water Supply and Najaf Water Supply projects) were terminated for the convenience of the U.S. government.

The audit found that more than \$2 billion originally allocated for water-sector projects was redirected to other sectors. Although work on the contract was generally successful, less was accomplished than expected. SIGIR identified that 97% of the project's expenditures was associated with the two completed task orders—most for the Nassriya project. As of May 2008, nearly \$7 million had been expended on the two projects terminated for convenience.<sup>229</sup> For more details on this audit, see Section 3 of this Report.

## MINISTRY OF HEALTH

The Ministry of Health is responsible for the oversight and operation of Iraq's healthcare sys-

tem. Both public and private healthcare systems in Iraq struggle to overcome procurement and delivery problems to get the medical supplies they need. The Kurdish region has been successful in delivering health care to Iraqis,<sup>230</sup> but provinces still affected by military conflict are not able to provide the same access to essential health facilities.

## U.S.-FUNDED PHC PROGRAM

This quarter, the total number of primary healthcare centers (PHCs) to be completed has changed. The current target is 132 PHCs; 10 centers have been canceled because of damages resulting from civil unrest and/or ITAO's decision to cancel.<sup>231</sup> The original contract called for the construction of 150 PHCs throughout Iraq.<sup>232</sup> Table 2.30 provides the status and distribution of the PHCs, by province.

## ONGOING PROJECTS IN THE EDUCATION SECTOR

PROJECT NAME	TOTAL BUDGETED COST	PROVINCE	FUND TYPE	ACTUAL START DATE	PROJECTED COMPLETION DATE
Sulaymaniyah Votech New Construction	\$ 5,200,000	Sulaymaniyah	CERP	12/02/2007	12/23/2008
BE/Zanobiya New Elementary School	\$4,248,510	Baghdad	ESF	11/19/2007	2/14/2009
BE/Design-Construction Salwa New Elementary School	\$3,922,463	Baghdad	ESF	12/10/2007	8/05/2008
PRDC - Design and Construct Abu Ghraib Secondary Girls School Campus	\$2,760,034	Baghdad	ESF	6/18/2008	3/14/2009
Wassit Engineering College Labs	\$2,735,636	Qadissiya	ESF	6/6/2008	6/5/2009

Sources: IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008.

TABLE 2.31

More than \$156 million of the IRRF has been obligated for construction of the PHCs, and nearly \$142 million has been expended. About \$131 million of the IRRF has been obligated for non-construction activities related to the program, of which \$123 million has been expended.<sup>233</sup> The remaining PHC projects are expected to be completed by November 2008.<sup>234</sup>

## MINISTRY OF EDUCATION

The Ministry of Education includes oversight of more than 20,000 schools, administrative offices, and educational facilities, which serve more than 6 million K-12 students and 300,000 teachers.<sup>235</sup>

The Ministry of Education is the implementing agency for a \$60 million World Bank Iraq Trust Fund project that aims to construct 55 new schools and rehabilitate 133 existing schools. Construction of 12 new schools (in Anbar, Erbil, and Muthanna) is complete, and the rehabilitation of the existing schools is finished. The rehabilitation program benefitted 45,000 students.<sup>236</sup>

The U.S. reconstruction program also continues to support the construction and rehabilitation of Iraq's schools. As of June 30, the United States has obligated \$760 million and expended \$640 million in the education sector.<sup>237</sup> Table 2.31 shows several ongoing education projects in Iraq.

## GOVERNANCE

The Seventh International Reconstruction Fund Facility for Iraq (IRFFI) Donor Committee Meeting hosted by GOI and co-chaired by Iraq and Italy was held in Baghdad on July 7, 2008.<sup>238</sup> The meeting aimed to review the World Bank and United Nations Iraq trust funds and to examine additional steps to further align IRFFI with the *International Compact with Iraq* (Compact). It also examined the lessons learned since the establishment of IRFFI in 2003, when the Madrid Conference took place. The donors agreed that the next donor meeting will be scheduled for the second half of November 2008.<sup>239</sup>

On May 29, 2008, 83 countries and 13 international organizations attended the first Annual Review Conference of the International Compact with Iraq in Stockholm.<sup>240</sup> The Annual Review was developed by the GOI with input from the international community and support of the United Nations. Participants acknowledged the progress of last year, but noted that work remains to be done. Further, they encouraged Iraq's international partners to contribute more technical assistance for institutional capacity building, instead of financial assistance.<sup>241</sup>

The United States supports Iraq with foreign-assistance programs to assist the GOI in meeting its objectives under the Compact.<sup>242</sup> For a list of some U.S. foreign assistance programs and projects that align with goals expressed in the Compact Joint Monitoring Matrixes for 2007 and 2008, see Appendix I.

### U.S. SUPPORT FOR GOI ANTICORRUPTION EFFORTS

Last quarter, SIGIR reported that DoS and the U.S. Embassy had begun revising the plan for managing anticorruption activities in support of the GOI. However, several actions had yet to be taken to fully address the remaining 10 of 12 recommendations made previously by SIGIR.

A follow-on SIGIR audit released this quarter determined that the U.S. Embassy had fully addressed three more of these recommendations through the Anticorruption Coordination Office (ACCO).<sup>243</sup>

- Iraqis were hired to help support U.S.-GOI anticorruption efforts.
- Reports are now being provided to the Deputy Chief of Mission on progress, barriers, and funding needs.
- The GOI is being encouraged to establish relationships with regional and international partners.

As such, the Embassy has fully addressed 5 of the original 12 recommendations, and remaining measures are needed to ensure that all initiatives are working efficiently and effectively toward a common goal, including strategies to provide these elements:<sup>244</sup>

- metrics that tie objectives and programs to a goal
- baselines from which progress can be measured



- foundation for assessing the program's impact on corruption in Iraq
- lessons learned from prior anticorruption programs of the United States and other donor countries

For more information on SIGIR's audit, see Section 3.

This quarter, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) sponsored the **International Criminal Investigative Training Assistance Program (ICITAP)**. Advisors administered nearly 1,500 hours of classroom investigatory training to 150 Commission on Integrity (CoI) trainees. ICITAP advisors also conducted more than 1,400 hours of on-the-job mentoring to CoI investigators.<sup>245</sup> The work of the CoI investigators resulted in the referral of 153 corruption cases to Iraq's investigative judges.<sup>246</sup>

In April 2008, the Board of Supreme Audit (BSA) received the final shipment of translated auditing manuals from the U.S. Government Accountability Office (GAO) in a project sponsored by INL. An official delivery ceremony with the BSA Board President and the new Embassy Anticorruption Coordinator took place at the BSA headquarters.<sup>247</sup>

## IRAQ'S COUNCIL OF REPRESENTATIVES

The notable decline in ethno/sectarian violence has led to a "window of opportunity" in 2008 for governmental action to create the framework for national dialogue and reconciliation necessary

to promote sustainable political and economic development.<sup>248</sup> The Compact identifies actions requiring GOI legislation to address fundamental political and economic changes in line with the priorities of Iraq's Year of Transfer.<sup>249</sup>

This quarter resulted in only two new laws, while longstanding draft legislation remained to be adopted. Additionally, key supportive legislation and administrative actions for previously adopted laws have yet to be addressed. Inaction on key legal reform increases the risk that sustainable political, economic, and civil progress will be delayed.

The Council of Representatives (CoR) unanimously passed two laws this quarter:<sup>250</sup>

- **The Law of Salaries for Judges and Prosecutors** will increase the monthly pay for employees of the Supreme Judicial Council from \$2,000 to \$5,000, including allowances.<sup>251</sup>
- The **Anti-Oil Smuggling Law** includes provisions to prevent the modification of vehicle tanks for the purpose of oil smuggling. It also prohibits stealing oil from pipelines as well as purchasing oil on the black market. Punitive measures include fines equal to five times the price of smuggled product and the confiscation of vehicles transporting the product.<sup>252</sup>

Several measures remain on the agenda, including draft legislation introduced this quarter:<sup>253</sup>

- Provincial Elections
- Ratification of Iraq's participation in the UN Convention Against Torture
- Ratification of Iraq's participation in the UN Convention for Biological Diversity

- Law for the rights of military personnel to receive pensions
- Consumer Protection Law
- Law to regulate agricultural products
- Law to regulate the Iraqi Foreign Service

Additionally, the CoR hosted sessions with the Minister of Oil and the Minister of Water Resources.<sup>254</sup>

### PROVINCIAL ELECTIONS UPDATE

The GOI will not meet its target date of October 1, 2008, for the provincial elections because the election law is still not in place. The Independent High Electoral Commission of Iraq (IHEC) is thus unable to organize, prepare, and conduct elections by the October deadline, and they probably will not occur this year.<sup>255</sup>

Among the required activities to successfully implement provincial elections are a budget for the IHEC and political agreements on the terms of voter eligibility—particularly those relating to internally displaced persons (IDPs)—ahead of a voter registration process. Other administrative tasks include the selection of candidates for each Governorate Electoral Office (GEO),<sup>256</sup> preparation of 550 registration centers, and the hiring of 6,500 registration officers;<sup>257</sup> many of these appear to have been accomplished. In early June, UNAMI conducted training sessions for all GEO directors to prepare them for upcoming voter registration.<sup>258</sup>

### Support for the Election Process

To support the pending election process, USAID

has obligated \$81 million through its implementing partner, **International Foundation for Electoral Systems (IFES)**, since the start of the program in September 2004.<sup>259</sup> IFES disbursed nearly \$52 million, as of the end of the second quarter of fiscal year 2008.<sup>260</sup> IFES, along with UNAMI, supports IHEC in general capacity building, particularly on the conversion of the public distribution system into a voter registry. Also, IFES collaborates with IHEC's Governorate Electoral Offices throughout Iraq to prepare for the upcoming election cycle and assists the Council of Ministers (CoM) and CoR on drafting electoral legislation.<sup>261</sup>

### PROVINCIAL POWERS LAW

The **Provincial Powers Law** was passed by the CoR on February 13, 2008. The law outlines the relationship between Iraq's central and local governments. It also required that the CoR pass an elections law and that provincial elections be held by October 1, 2008.<sup>262</sup> The former has not happened and the latter will not. The law will apply to Provincial Councils only after the provincial elections occur.

### THE REGIONS FORMATION LAW

In October 2006, the CoR passed the **Regions Formation Law**, which provided for an April 2008 effective date. In February 2008, the CoR passed the companion **Law Governing Powers of Provinces Not Formed into Regions**.<sup>263</sup> These laws cannot come into effect, however, without the legal and political consensus of the triggering Provincial Powers Law, which has no effect until

the new Provincial Councils are elected.<sup>264</sup>

Although both ISCI and Fadhilah (both Shia parties) remain interested in the possibility of region formation in southern Iraq, overt campaigning for regions formation appears to be on hold because of ongoing security operations and the upcoming provincial elections.<sup>265</sup>

## **Resolving Iraq's Disputed Internal Boundaries**

**Article 140** of the Iraqi Constitution mandates a process of normalization and referendum for disputed territories. The most significant of these disputed territories is Tameem province. The GOI has not met the 2007 deadline for Tameem, specified by Article 140, which includes full normalization and a referendum on unifying with the KRG.<sup>266</sup>

Since November 2007, UNAMI, under the leadership of the Special Representative of UN Secretary-General for Iraq, has been actively involved in finding a political resolution to Iraq's disputed internal boundaries (DIBs).<sup>267</sup> Under UNAMI's UN Security Council 1770 mandate and GOI's invitation, UNAMI presented its initial reports on four DIB districts to the Presidency Council, GOI Prime Minister, and KRG Prime Minister.<sup>268</sup> UNAMI is currently working on the next two phases to address Tameem and additional disputed areas, and plans to present its reports to the GOI leadership by the end of the summer.<sup>269</sup>

## **INVESTMENT LAW UPDATE**

In November 2006, the GOI adopted an investment law intended to encourage investment in non-oil sectors and promote equal treatment for domestic and foreign investors. The establishment of the National Investment Commission (NIC) to develop and monitor the implementation of investment policies and regulations (and establish agencies at the national and regional levels to issue investment licenses) was intended to follow.<sup>270</sup> Although a Chairman of the Commission was appointed in early 2007,<sup>271</sup> the World Bank reports that the business climate in Iraq remains challenging for investors.<sup>272</sup> SIGIR will continue to report on the NIC's progress in creating a favorable climate for investment.

## **AMNESTY LAW**

The **Amnesty Law** came into effect in February 2008, and as of June 29, 2008, 95% of all amnesty cases have been reviewed.<sup>273</sup> The conditions of the law have been controversial, with suggestions from some that the releases of 96,727 inmates should have been more limited.<sup>274</sup> For an update on the release orders, see Ministry of Justice update in this section.

### **Amnesty Application Review Process**

A provincial committee, made up of four judges appointed by the Higher Juridical Council (HJC), reviews every amnesty case or charge. A prosecutor on each committee, appointed by the HJC, must either sign the release order or appeal the ordered release to a special committee, compris-

ing appellate judges from around that province. If necessary, the appeals process has the ability to withdraw an amnesty release order. After a release order is signed, it is sent to the relevant ministry for execution.<sup>275</sup>

### **IRAQ'S CIVIL SERVICE ADVANCEMENT**

The U.S.-funded Tatweer continues to support the GOI program to reform the Iraqi civil service. In May 2008, the CoM approved the draft law to form the constitutionally mandated **Federal Civil Service Commission**. The draft will be considered by the CoR.<sup>276</sup>

### **MINISTRY OF PLANNING AND DEVELOPMENT COOPERATION**

The Ministry of Planning and Development Cooperation (MoPDC) plans and prioritizes development and reconstruction activities in Iraq.<sup>277</sup> MoPDC promotes international assistance to Iraq, including liaising with existing and potential donors and following up on pledges of assistance.

### **U.S.-FUNDED PROCUREMENT ASSISTANCE CENTERS**

GOI has received considerable support for its public procurement activities. During 2007, 2,591 ministry staff were trained in procurement at various levels.<sup>278</sup> The Iraqi-led **Procurement Assistance Center (PAC) program**, funded by the United States, has been established under the supervision of the Director General of the Office

of Government Public Contracts Policy. PAC assists the GOI in drafting and enacting new and streamlined procurement regulations and implementing instructions. PAC is also involved in the development of a new Iraqi law on contracting. The PAC program has added Provincial Procurement Assistance Teams (PPATs), which support 16 provinces.<sup>279</sup>

### **TATWEER ASSISTANCE TO THE MOPDC**

With Tatweer support, MoPDC hosted a two-day workshop in May 2008 at the Al-Rasheed Hotel to "Improve the Selection of Capital Investment Projects." More than 230 GOI officials attended the workshop, including Directors General (DGs) from ministries and provinces, as well as Provincial Council members.<sup>280</sup>

This quarter, Tatweer provided training and identified equipment needs for MoPDC's newly established six-person planning units in 15 provinces.<sup>281</sup> The civil servants, comprising 90 junior staff, are receiving rapid orientation training on project management and strategic planning and an overview of the existing budget execution system, including the roles of the various players. The training was conducted with the Ministry's Directorate for Housing and Construction, which oversees these provincial planning units. They will assist in monitoring implementation of projects at the provincial level.<sup>282</sup>

Tatweer's assistance to the MoPDC's Central Organization for Standardization and Quality Control (COSQC) led to completion of a draft

strategic plan.<sup>283</sup> Tatweer also completed an implementation plan to assist COSQC in complying with World Trade Organization standards. Plans for a COSQC website moved ahead with the outline of a design and identification of system requirements. As a result of Tatweer technical assistance, the Central Organization for Statistics and Information Technology (COSIT) is slated to receive an additional \$1 million in supplemental funding to conduct surveys, and the Ministry of Finance approved an increase of \$100 million for COSIT staff.<sup>284</sup>

## DONOR ASSISTANCE TO GOI

The United States is less able to track international funding because Iraq has shifted to normalized bilateral relations with the international community. As of July 2, 2008, DoS reported a total of \$17 billion in donor pledges.<sup>285</sup> Pledges for grants total \$5.26 billion, of which \$4.53 billion was pledged at Madrid, and \$0.72 billion was pledged in conjunction with the International Compact with Iraq Ministerial Meetings.<sup>286</sup>

At the May 2008 Annual Review Conference of the Compact meeting in Stockholm, Australia announced pledged grants of approximately \$137 million.<sup>287</sup> Of this total, nearly \$22 million had already been pledged in March 2008 for police training. The balance of \$115 million covers pledged grants for agriculture, capacity building, and the IRFFI.<sup>288</sup>

According to DoS, the total of grants committed to Iraq (through contracts, budget actions,

or dedicated international agreements) is \$5.55 billion, or approximately \$297 million greater than the total of grants pledged.<sup>289</sup> The total of soft loans committed is about \$3.42 billion, or approximately \$8.33 billion less than loans pledged. This reflects that Iraq has been more focused on reducing its debt burden from the Saddam era than on adding new debt, and that high oil prices have served to substantially strengthen Iraq's financial position to where its need for loans is reduced.<sup>290</sup>

## Development Assistance Database

U.S. advisors have joined with those from the United Nations Development Programme (UNDP) and the European Union to help the MoPDC improve its tracking of donor contributions to Iraqi reconstruction. Initial efforts focused on developing the Donor Assistance Database (DAD). Recent efforts involve establishing a broader Capital Budget Request and Tracking System that would capture all efforts for reconstruction, including those funded by Iraq's national and provincial budgets. However, the efforts to integrate the two systems have caused a number of logistical and organizational issues.<sup>291</sup>

As of July 14, 2008, the DAD reported total commitments of \$5.41 billion, an increase of approximately \$55.06 million from last quarter.<sup>292</sup> Disbursements totaled \$2.52 billion, a decrease of approximately \$16 million from last quarter.<sup>293</sup> For an overview of Iraqi donor spending based on data from the DAD, see Appendix I.

## UNITED NATIONS

Since 2003, the UN has played a sustaining role in supporting Iraq's relief and reconstruction efforts. Below is a description of some of the UN organizations' efforts performed this quarter.

Health programs for Iraqis could be reduced and the provision of some specialized medical interventions might come to a complete halt. In January 2008, the UN High Commissioner for Refugees (UNHCR) appealed for \$261 million for its operations for IDPs, returnees, and refugees; however, as of May 2008, it received only \$134 million.<sup>294</sup> If UNHCR does not receive the remainder (\$128 million), it will not be able to continue direct assistance. By August 2008, UNHCR will not be able to cover all basic health needs of Iraqis, and the seriously ill Iraqis will not be able to receive their monthly medications.<sup>295</sup>

This quarter, the United Nations Children's Fund (UNICEF) has been scaling up its Iraq emergency operation to reach more vulnerable children in the country. UNICEF reports that Iraqi children are at greater risk of exploitation and abuse. More than 800,000 Iraqi children are unable to attend school, and only 40% can access safe water.<sup>296</sup> Through its **Immediate Action for Vulnerable Children and Family (IMPACT) program**, UNICEF aims to provide assistance to more than 360,000 Iraqi children this year to ensure that they have access to health care, vaccinations, proper nutrition, and emergency medical treatment. The program also aims to provide safe water, emergency education, and specialized care for abused and vulnerable children and women.<sup>297</sup>

## INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

To date, 25 IRFFI donors have committed more than \$1.83 billion for Iraq reconstruction, which is an increase of approximately \$4.7 million from last quarter.<sup>298</sup> The slight increase is attributable to additional commitments by Australia. For a funding breakdown of top donors from IRFFI, see Appendix I. In 2004, the IRFFI was launched to assist donors direct their resources and coordinate their support for reconstruction and development in Iraq through the World Bank Iraq Trust Fund (WB ITF) and UNDP-managed UN Development Group Iraq Trust Fund (UNDG ITF).

As of June 30, 2008, the WB ITF continues to hold deposits from 17 donors, worth nearly \$494 million.<sup>299</sup> This quarter, the top donors to the WB ITF remain the same. As of June 30, 2008, 25 international donors committed nearly \$1.34 billion to the UNDG ITF, which is managed by the UNDP.<sup>300</sup> New contributions to this fund have not been reported this quarter.

## WORLD BANK

The World Bank funds several programs to support the GOI with reconstruction needs such as improving public- and private-sector governance, restoring basic services, and enhancing social safety nets. Although this support is funded primarily through the WB ITF, the World Bank also provides assistance through its International Development Association (IDA). As reported previously, four IDA loans are approved for Iraq, totaling \$399 million.<sup>301</sup> As of May 31, 2008, the status of these projects has not changed since last quarter.



## MINISTRY OF FOREIGN AFFAIRS

The Ministry of Foreign Affairs (MFA) provides consular services in Iraq and gradually will extend the services to missions in other countries.<sup>302</sup> This quarter, the United Arab Emirates (UAE) announced the opening of a UAE Embassy in Baghdad, as well as the appointment of an ambassador.<sup>303</sup>

As of June 29, 2008, there are 36 foreign embassies in Iraq.<sup>304</sup> Of these, 25 embassies are represented at the level of Ambassador, and 11 are represented at the level of Charge d'Affaires.<sup>305</sup> During the Compact's annual review meeting, Brazil announced its intention to open an embassy in Baghdad by the end of 2008, and Turkey announced plans to open a consulate in Basrah and join the UK and Iraq in opening a free trade zone on the Kuwaiti border.<sup>306</sup>

This quarter, the United States supported the MFA with an IRRF-funded project that sent 15 Iraqi entry-level diplomats to the United States for training between April 27, 2008, and May 10, 2008. The training included a four-day segment at Georgetown University on diplomatic history and theory, a three-day segment at the Foreign Service Institute on diplomatic skills, and a one-day program at the Department of State and Voice of America/Woodrow Wilson Center.<sup>307</sup>

## MINISTRY OF DISPLACEMENT AND MIGRATION

The Iraqi Ministry of Displacement and Migration (MoDM) is responsible for all matters relating to Iraqi refugees and displaced persons, as well as all non-Iraqi refugees residing in Iraq. The

ministry develops policies to address migration issues and serves as the focal point for organizations assisting refugees and displaced persons.<sup>308</sup>

USAID's **Office of U.S. Foreign Disaster Assistance (OFDA)** supports the capacity building in the MoDM through five implementing partners. One OFDA partner supports MoDM through trainings of junior and senior level staff in project management, leadership, strategic planning, budgets, negotiation skills, anticorruption, and monitoring and evaluation. Currently, OFDA is working on a country-wide household needs survey of IDPs with the MoDM. Another OFDA partner works with the ministry on its data management throughout the country to keep up with the registered and registering IDPs data.<sup>309</sup>

## INTERNALLY DISPLACED PERSONS

Although exact totals of displaced persons are difficult to obtain, the UN estimates that as of May 2008, the total internal displacement has reached 2.7 million.<sup>310</sup> This includes 1.2 million individuals who were displaced before February 2006 and 1.5 million individuals displaced afterward.<sup>311</sup>

According to MoDM statistics, 64% of the displaced are originally from Baghdad. Eighty-two percent of that population comprises women and children, and 58.7% are children less than 12 years of age. Communities that have hosted large IDP populations have become as destitute as the displaced. For example, several governorates that have received displaced persons from Baghdad—such as Kerbala, Najaf, and Babylon, among

others—are saturated, with their already fragile services and communities overwhelmed by the large numbers of displaced.<sup>312</sup>

The Compact’s annual review discussed programs that are being established in cooperation with host countries, regional partners, and the international community to address the needs of displaced Iraqis. This quarter, USAID OFDA implementing partners assisted IDPs in 17 provinces throughout the country with activities in the following sectors:<sup>313</sup>

- water, sanitation, and hygiene
- health, shelter, and settlements
- economy and market systems
- logistics and relief commodities
- humanitarian coordination

In July 2008, GOI launched the National Policy to Address Displacement which aims to improve the situation for displaced persons and returnees.<sup>314</sup> The policy describes the rights and the needs of the 240,000 newly displaced families inside Iraq and outlines the need for coordination and cooperation between the different ministries and the international community.

## RETURNEES

At the end of March 2008, the MoDM reported 13,030 returnee families (averaging six people per family).<sup>315</sup> Of this total, 83% returned from internal displacement and 17% from abroad; 4,300 of the 13,030 families returned to Baghdad. The government has offered registered returnees a \$1,000 payment in Baghdad, and the ministry’s

implementing partners were providing ad hoc food and nonfood items.

Although some IDPs and refugees returned because of perceived security improvements, others returned because they lacked any other options. Mass returns organized by Provincial Councils or government ministries have been deficient in long-term planning, sufficient reintegration assistance, and services needed to have a durable impact. Currently, returnee families who have registered with the government upon their return are offered a six-month stipend of \$150; however, the registration process is complicated and difficult to access.<sup>316</sup>

In 2008, the GOI is supporting the return of more than 100,000 families in the year 2008 and is considering a \$195 million plan, drafted by the MoDM.<sup>317</sup> The GOI continues to look for solutions to avoid conflict when refugees and IDPs return to their former homes and neighborhoods and find them occupied by others, especially in Baghdad.<sup>318</sup>

## REFUGEES

In June 2008, the United States admitted 1,721 Iraqi refugees, setting a new monthly record. As of June 13, 2008, the total number of Iraqi refugees resettled in FY 2008 is 6,463.<sup>319</sup> The United States has committed to admitting 12,000 Iraqi refugees by the close of the fiscal year on September 30, 2008.<sup>320</sup>

The United States has increased its contributions to Iraqi refugee assistance from \$43 million in 2006 to nearly \$208 million as of July 2008.<sup>321</sup> In April 2008, in compliance with the 2008



Refugee Crisis Act, the Secretary of State appointed a Senior Coordinator for Iraqi Refugees and IDPs. The Senior Coordinator is responsible for “the oversight of processing for the resettlement in the United States of refugees of special humanitarian concern, special immigrant visa programs in Iraq, and the development and implementation of other appropriate policies and programs concerning Iraqi refugees and IDPs.”<sup>322</sup>

The first refugee case processed in the International Zone departed successfully from Baghdad International Airport to Atlanta, Georgia, on May 28, 2008. He is one of the 33 Locally Engaged Staff (LES) who began processing in Baghdad in March 2008.<sup>323</sup> The processing operation in Iraq expanded to include Iraqi LES and their extended families, Iraqis employed directly or via contractors, employees of U.S.-based media organizations, or employees of non-governmental organizations. Interviews for this extended refugee program began in May 2008 and will be ongoing.<sup>324</sup>

## MINISTRY OF HUMAN RIGHTS

The Iraqi Ministry of Human Rights (MoHR) is responsible for the development of a declaration of human rights for Iraqis, as well as encouraging

the growth of independent human rights organizations within Iraq.<sup>325</sup>

Since August 2007, USAID’s Tatweer program has worked with the MoHR to assist this relatively new and small ministry. The Tatweer advisor to the MoHR and Iraqis have supported many MoHR efforts including:<sup>326</sup>

- budget execution process improvements
- status of an information technology (IT) assessment
- application of an internal assessment methodology introduced to the GOI by Tatweer
- renovations to an MoHR training facility to be used for senior executive training and other executive functions
- MoHR human resources system upgrades
- MoHR website improvements
- staff training in the core areas of public administration

Other U.S.-funded technical assistance activities with the MoHR are in the final stages of development. They will address more sector-specific assistance needs and focus on items for the MoHR such as graves, forensic evidence, missing persons, and detention operations.<sup>327</sup>

## SECURITY AND JUSTICE

As part of transferring additional responsibility to the Iraqis, the United States and Coalition partners work to strengthen Iraq's security mechanisms at the national and provincial levels. These efforts include programs targeted at improving the abilities of the Iraqi Security Forces (ISF) and the ministries that oversee them—the Ministry of Defense (MOD) and Ministry of Interior (MOI).

Success, however, has been uneven, and security services require continued assistance in many key areas. The United States endeavors to transfer responsibilities for the ISF and security of the general population to the MOD and MOI by shifting program funding to enhance sustainment and capacity development across Iraq's security apparatus.

This quarter, SIGIR published an audit evaluating a \$900 million contract<sup>328</sup> issued in 2004 to Parsons for 56 task orders in the security and justice sector. Projects included construction of fire stations, border forts, the Iraqi Special Tribunal, police and protection academies, and correctional facilities.

SIGIR's report noted that "far less was accomplished under this contract than originally planned."<sup>329</sup> Auditors found that only one-third of planned task orders were completed and that 43% of the funds went to projects that were canceled or terminated, although several projects were transferred to other contractors and completed. As a result of inaction or inefficiencies, the United States canceled nearly half of the orders because construction progress was limited or not yet started and transferred them to U.S. government entities for closeout.<sup>330</sup>

### MINISTRY OF DEFENSE

The MOD oversees the development and execution of policies for Iraq's military services, including the Iraqi Army, Air Force, and Navy. In May 2008, the Iraqi Ground Forces Command assumed full control over Iraq's largest military branch, the 12-division Iraqi Army, which expects to have an additional division by December 2008.<sup>331</sup>

This quarter, both the Iraqi Air Force and Navy have grown in personnel and operational capacity. The Air Force, which grew 21% since last quarter, is improving the numbers of flights, health programs, maintenance capacity, and fleet size.<sup>332</sup> The Navy, which includes 1,839 assigned personnel, is steadily improving capacity in contracting, management, and planning processes. DoD noted, however, that the Navy faces challenges with aligning future acquisition goals to immediate needs (including training, infrastructure, and command and control).

### MOD TRAINING

MOD trainees total more than 235,963, which is more than 47% of all ISF trained personnel.<sup>333</sup> Assigned levels for the military, which reflect personnel on the payroll, are 190,652.<sup>334</sup> The overfill reflects the Prime Minister's initiative to increase personnel to 120% of the Modified Table of Organization and Equipment.<sup>335</sup> The Prime Minister also authorized a force of 135% for three Iraqi Army divisions.<sup>336</sup> The former Commander, Multi-National Security Transition Command-Iraq (MNSTC-I), noted that Iraq's ground forces are growing and training on a feasible schedule

## MOD TRAINED AND AUTHORIZED MILITARY PERSONNEL

ISF SERVICE	MARCH 2008 TRAINED	MAY 2008 TRAINED	AUTHORIZED FORCE STRENGTH
Iraqi Army	180,263	211,826	156,848
Support Forces	19,750	21,048	15,583
Iraqi Air Force	1,370	1,595	2,900
Iraqi Navy	1,194	1,494	1,893
<b>Total</b>	<b>202,577</b>	<b>235,963</b>	<b>177,224</b>

Source: DoS, *Iraq Weekly Status Report*, April 9, 2008, and July 16, 2008.

Note: March data are of March 19, 2008. May data are of May 31, 2008. Authorized force strength numbers are of May 31, 2008. Trained figures include casualties, AWOL personnel, etc.

TABLE 2.32

and will be “mostly done” by mid-2009.<sup>337</sup> For an overview of training and authorizations, see Table 2.32.

The military services have undergone training to re-establish Iraq’s ability to maintain territorial integrity. Iraqi military training centers are dedicated to training by region, by division, and by combat discipline in both classroom and operational environments. Last quarter, MNSTC-I reported that there were seven base training cycles each year, and this quarter, it announced an additional cycle for 2008.<sup>338</sup> DoD reports that 26,860 personnel are trained in each cycle.<sup>339</sup> Between December 7, 2007, and June 19, 2008, more than 56,000 recruits completed basic training.<sup>340</sup>

SIGIR and GAO have both noted the lack of officers and non-commissioned officers (NCO) as the Army approaches the 120% personnel goal. There are currently eight training locations intended to help grow the NCO ranks.<sup>341</sup> DoD reported that the MOD plans to hire 1,500 officers and 13,000 NCOs through the re-joiner effort, which is a means of re-hiring former members of the army who served under the Saddam Hussein regime.<sup>342</sup> According to the Former Commander, MNSTC-I, Iraqis have the training in place to expand the NCO corps.<sup>343</sup> The MOD has nearly 70% of needed NCOs, but the majority are at the junior level.<sup>344</sup>

## U.S. CONTRIBUTIONS TO THE MOD

The United States and other Coalition states provide a range of advisory services to the ISF. U.S. advisory efforts at the ministerial level strengthen capacity in personnel accounting, force management, logistics, training, procurement, anticorruption initiatives, and cross-function coordination. Coalition advisors provide guidance and mentor staff to improve relevant functions through the MOD Advisory Team and the Joint Headquarters-Advisory Team (JHQ-AT). In addition to ministerial capacity development, all three military branches are assigned designated embedded transition or training teams. The Coalition provides embedded support through Military Transition Teams and the Coalition Army Advisor Training Team.

However, a lack of coordination and delegation at the ministerial and military-service levels limits effectiveness. Coalition advisors still operate in a lead role for planning at the strategic and operational levels for the Iraqi Army.<sup>345</sup>

The MOD faces other challenging issues, including:<sup>346</sup>

- budget execution, decision-making, and business practices that continue to be influenced by the practices of the former regime
- rapid force growth
- “normal behavior in groups”
- trust

### TRANSFERRING SECURITY ASSETS AND LOGISTICS CONTROL

Transferring assets has been an important issue, identified by SIGIR, for the GOI to assume greater control over reconstruction projects. Last quarter, MNSTC-I noted that the MOD was assuming control over \$25.6 million in life-support contracts, and \$82 million in additional contracts for transportation, maintenance, logistics, and an intelligence network.

This quarter, those contracts increased in value by nearly \$31.4 million.<sup>347</sup> All eight life-support contracts have been transferred to the MOD, but the five remaining service contracts remain under U.S. oversight. This quarter, seven new contracts are scheduled for transfer to the MOD, which address logistics, maintenance, contractors, and a counter-terrorism network.<sup>348</sup> They are valued at \$42.11 million, bringing the cumulative total for all contracts assumed by the MOD to \$181.11 million.<sup>349</sup>

According to DoD, the MOD requires significant assistance in logistics and sustainment but remains committed to making the ISF “mostly” self-sufficient by the end of 2008.<sup>350</sup> Of the 13 planned logistics commands, 8 have been built.<sup>351</sup>

The largest of these logistics efforts is the Taji National Depot, which will be the primary logistics unit for the ISF, supplying parts, repair services, and other equipment.<sup>352</sup> In June 2008, DoD reported that the timeline for transferring control of Taji to the Iraqis would begin in early 2009, emphasizing that U.S. advisors are still needed.<sup>353</sup>

### FOREIGN MILITARY SALES

Although the \$17.94 billion Iraq Security Forces Fund (ISFF) continues to provide equipment, training, sustainment, and infrastructure, the U.S. military anticipates that the MOD will increasingly assume financial responsibility as capacity is strengthened and processes are streamlined. To assist with procurement, the MOD and MOI use Foreign Military Sales (FMS) as a means to purchase U.S. services, goods, and equipment through government-to-government channels.<sup>354</sup> FMS charges a 3.8% administrative fee for the procurement and contracting process.<sup>355</sup>

Iraq has deposited \$2.9 billion in the Federal Reserve Bank of New York for FMS. As of July 7, 2008, \$2.5 billion of this total had been committed,<sup>356</sup> and approximately \$1.4 billion<sup>357</sup> has been delivered—up from \$1 billion last quarter.

In April 2008, MNSTC-I reported that Iraq’s Ministry of Finance (MOF) withheld FMS funds for the MOI. This quarter, the MOF approved \$400 million for the MOI, and as of June 21, 2008, the MOI had committed \$132 million of these FMS funds.<sup>358</sup>

Last quarter, MNSTC-I reported that processing the contracts took between 80 and 160 days in Iraq.<sup>359</sup> The world average is 120 days. Currently, the processing time is less than 90 days. MNSTC-I now has 30 people working in FMS, which has been critical in overcoming the processing challenges that once caused delays.<sup>360</sup> The Defense Security Cooperation Agency, which oversees security assistance for the United States, helps manage the FMS process.<sup>361</sup>



Trainees at Baghdad Police Academy.

DoD also noted an improvement in the types of equipment purchased through FMS. Last quarter, MNSTC-I reported that FMS was used for small-scale equipment, including handheld radios and Humvees. Letters of Request are shifting to more substantial equipment, such as armored tanks, which reflects a change to the security ministries' modernization and utilization of the ISF.<sup>362</sup>

Notwithstanding the gains in FMS efficiency, the program is still hampered by the inability of GOI organizations to report and transfer materials quickly. A key impediment to the process is MOD's underdeveloped logistics ability—an area that the United States continues to strengthen by constructing warehouses and logistics facilities. MNF-I reported that the U.S. funds will continue to support the MOD should FMS delays affect Iraq's military. Further, it reports that the MOD is beginning to streamline the FMS process by buying directly from countries, when feasible.<sup>363</sup> Direct procurement allows Iraq's police and border personnel to receive some goods and services even faster.

### MINISTRY OF INTERIOR

The MOI oversees Iraq's police and border services, which include the Iraqi Police Service (IPS),<sup>364</sup> the National Police (NP),<sup>365</sup> and the Department of Border Enforcement (DBE).

Eliminating sectarianism and corruption have been the MOI's most significant challenges. The UN reported that a new MOI organizational structure and security strategy have been approved, which should improve the MOI's ability to develop the professionalism of the services and foster a security environment that respects the rule of law and human rights.<sup>366</sup>

### TRAINING

By May 2008, there were 256,201 total trained MOI personnel.<sup>367</sup> The MOI's total assigned force, which measures payroll data, is 371,292 personnel.<sup>368</sup> Current assigned rates for the police and border enforcement exceed the number of personnel trained by 44% and 23%, respectively, which indicates a lag between hiring and training.

The end-strength goal is 359,876, which is

nearly 29% above current training figures.<sup>369</sup> For an overview of training and authorizations, see Table 2.33.

The MOI manages 16 of 17 training centers, and there are plans to expand 8 of the centers and to construct an additional 12 training facilities<sup>370</sup> to meet the expanding number of police recruits.<sup>371</sup> Last quarter, nearly 21,700 police and officers graduated from training.

U.S. ADVISORY EFFORTS

U.S. advisory efforts for the MOI include improving budgeting and procurement, resource management, training, logistics, and infrastructure processes. DoD reported that there is “steady, but uneven improvement” in ministerial capacity, but the fight against corruption continues, and the MOI services require more training to become a consistent professional service.<sup>372</sup> Moreover, it must address these challenges:<sup>373</sup>

- managing rapid force expansion
- modernizing hierarchy and processes
- improving the professionalism of the services

- integrating the Sons of Iraq
- enhancing and integrating the rule of law

The Coalition provides 319 transition teams to bolster MOI capacity:

- 1 Ministry of Interior Transition Team (MOI-TT)
- 27 teams for border issues
- 40 teams for the National Police
- 251 Police Transition Teams

In April 2008, there were 212 Coalition advisors to the MOI.<sup>374</sup> However, DoD reported that advisory positions are still unfilled. For example, 28 of the 120 spots for the MOI-TT lack personnel.<sup>375</sup>

INL and DOJ provide civilian specialists for the International Police Advisors (IPAs), who work to strengthen the abilities of the MOI and its police service components. There are 678 IPAs and 77 Border Enforcement Advisors.<sup>376</sup> These ongoing efforts to Multi-National Force-Iraq’s police development were consolidated under

MOI TRAINED AND AUTHORIZED SECURITY FORCE

ISF SERVICE	APRIL 2008 TRAINED	MAY 2008 TRAINED	AUTHORIZED FORCE STRENGTH
Iraqi Police Service	166,037	178,053	288,001
National Police	44,156	46,670	33,670
Department of Border Enforcement	28,023	31,478	38,205
Total	238,216	256,201	359,876

Source: DoS, *Iraq Weekly Status Report*, April 9, 2008, and July 16, 2008.  
Note: March data is as of March 19, 2008; May data is as of May 31, 2008. Authorized force strength numbers are of May 31, 2008. Trained figures include casualties, AWOL personnel, etc.

TABLE 2.33



## MINISTRY OF JUSTICE DETENTION FACILITIES

FACILITY	STANDARD CAPACITY	EMERGENCY CAPACITY	NUMBER OF DETAINEES	PROVINCE
Al Harithiya	100	120	179	Baghdad
Al Hillah	275	330	342	Babylon
Baladiyat	860	1,008	990	Baghdad
Rusafa	6,807	7,244	6,970	Baghdad
Diyala	202	242	478	Diyala
Al Minah	400	480	535	Basrah

Source: U.S. Embassy, response to SIGIR data call, June 29, 2008.

TABLE 2.34

INL's DynCorp contract in June 2008.<sup>377</sup> Between April 1, 2008, and June 30, 2008, 95 IPAs ended their tours of duty, and 47 were beginning theirs.<sup>378</sup> Despite the turnover, since April 2008, the United States has been able to increase total IPAs.

The United States operates one police-training center to conduct "re-bluing" of all eight National Police battalions. The program, in the third of four phases, has graduated three battalions. This quarter, 420 police were trained.<sup>379</sup>

Unlike the MOD, the MOI does not have a formal logistics system (including specialized units across all police services). There is a sustainment brigade for the National Police, which maintains a broader patrol area than the IPS. The Coalition is constructing additional warehouses to remedy<sup>380</sup> backlogs of goods received through the ISFF.

### TRANSFERRING RESPONSIBILITIES

Last quarter, MNSTC-I reported that the United States intended to transfer \$240 million in life-support (and other service) contracts to the MOI.<sup>381</sup> Since April 2008, the cumulative value

of the contracts rose by more than \$10 million to reach \$251.1 million. As of July 7, 2008, all four life-support contracts and one of the life support and training contracts have been transferred.<sup>382</sup>

This quarter, MNSTC-I reported on four additional contracts to be transferred for security, maintenance, and Internet services. The value of the contracts is \$14.89 million.<sup>383</sup> Thus, the MOI is in the process of assuming responsibility for nearly \$266 million in support contracts.

## MINISTRY OF JUSTICE

The Ministry of Justice oversees the physical facilities associated with Iraq's rule-of-law institutions, including prisons and some jails.<sup>384</sup>

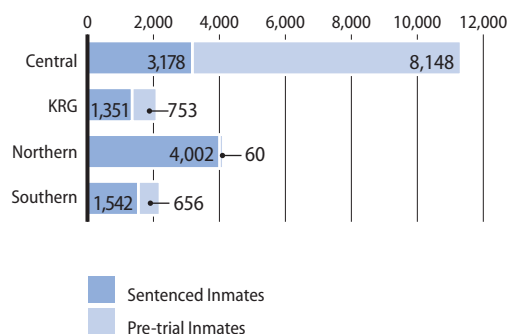
Between June 2003 and September 2007, six detention facilities were transferred back to the Ministry of Justice.<sup>385</sup> Currently, four of the six facilities exceed both their standard and emergency operating capacities. For an overview of detention locations and current capacity data, see Table 2.34.

Nearly 49% of all inmates in Iraqi detention facilities are awaiting trial,<sup>386</sup> which is one of the primary contributors to overcrowding. The

Figure 2.23

**INMATE POPULATION, BY REGION**

Source: U.S. Embassy, response to SIGIR Data Call (6/29/2008)



Note: Data includes confirmed and unconfirmed numbers.

central region has both the highest number of detainees and the highest number of inmates awaiting trial. Excluding the KRG, the northern provinces have the lowest percentage (1.5%) and number of pre-trial inmates.<sup>387</sup> For a comparison of regional inmate populations, see Figure 2.23.

**HIGHER JURIDICAL COUNCIL**

The Higher Juridical Council (HJC) is now a separate entity from the Ministry of Justice and oversees the policies and institutions related to Iraq's judiciary. Those who serve Iraq's legal entities continue to face threats, public misperceptions and mistrust, sectarian influence, and inadequate security protection. The U.S. Embassy reports these additional challenges:<sup>388</sup>

- The judiciary is understaffed.
- Buildings are in disrepair.
- Vestiges from the legal system in the Saddam Hussein era pose even deeper challenges for the rule-of-law environment.

By June 2008, there were 655 courts operating

in Iraq.<sup>389</sup> In addition to the two Central Criminal Courts of Iraq (CCC-Is) in Baghdad, there are now Major Crimes Courts (MCCs) open in all 18 provinces<sup>390</sup>—up from only 5 in March 2008.<sup>391</sup>

As of June 2008, the judiciary reported these staffing numbers: 567 judges, 281 investigative judges, 312 assistant prosecutors, 645 judicial investigators, and 5,617 bodyguards.<sup>392</sup> Since April 1, 2008, six new judges have been appointed.<sup>393</sup> Although staffing continues to improve, inadequate investigatory training and docket backlog hamper the effectiveness of the courts.

INL operates in conjunction with DoJ and Coalition countries to train judicial investigators to minimize the overburdened judicial system.

Between January 1, 2008, and March 31, 2008, federal appellate courts heard more than 200,000 cases.<sup>394</sup> These courts completed an average of 72% of cases. Qadissiya's court and the CCC-I, located in Baghdad's Rusafa neighborhood, completed the highest percentage of cases. However, the court in Rusafa also had the lowest docket load. The CCC-I at Baghdad's Al-Karkh facility and Kerbala's federal appellate court reported the lowest percentage of completed cases.<sup>395</sup>

The trial landscape changed after the Amnesty Law passed in February 2008. By June 2008, the HJC reported that of the nearly 123,000 amnesty cases, 96,727 release orders were granted (79%), and 25,948 petitions for release were denied.<sup>396</sup> Appellate courts in Najaf and Kerbala reported the lowest percentages of denials, and the



Baghdad (Rusafa) and Diyala courts had the highest percentages of denials.<sup>397</sup> Of the approved release orders:<sup>398</sup>

- 13,130 individuals are in pre-trial detention facilities.
- 6,907 individuals are in post-trial prisons.
- 44,882 individuals are out on bond or on the guarantor system.
- 31,808 are for cases where no one was arrested (that is, fugitives).

The lack of a formal Judicial Protection Service (JPS) continues to leave Iraq's judiciary at risk. Two judges were killed this quarter, bringing to 37 the total number of those who have lost their lives to violent attacks.<sup>399</sup> Although the United States assists the HJC with developing a JPS modeled after the U.S. Marshals Service,<sup>400</sup> the HJC remains unsuccessful in securing funds and personnel for the program from the GOI.<sup>401</sup> However, the MOI has issued 405 weapons permits: 234 to bodyguards and 171 to judges.<sup>402</sup> The MOI had not previously issued formal weapons authorizations for judicial protection, despite HJC requests since late 2007.

## U.S. SUPPORT FOR RULE-OF-LAW ENTITIES

The United States offers protection and advisory services to Iraq's judiciary and other rule-of-law entities. The United States provides housing for 28 judges.<sup>403</sup> Although there are 24% fewer judges and their families housed in protective facilities

since last quarter, the number of judges in U.S. housing fluctuates because of rotating service requirements.<sup>404</sup>

To bolster capacity for judicial security, INL has trained HJC security personnel, and plans for a security module at the **Judicial Education and Development Institute** to strengthen training.<sup>405</sup>

INL also provides 80 advisors to support the **Iraqi Corrections Services (ICS)** by assessing prison facilities, conducting training, providing advisors, and constructing and refurbishing prisons.<sup>406</sup> This quarter, advisors at 12 facilities across Iraq began training ICS personnel for the opening of Nassriya I prison and completed evaluations of prisons and detention facilities in the KRG.<sup>407</sup>

To better track detainees, INL continues to develop a database that will allow the GOI to improve record-keeping and coordination throughout the criminal justice system. Although the **Iraq Justice Integration Project** was suspended in 2007, after the contractor departed prematurely, INL has developed a new plan and intends to devote IT integration policy experts to the project.<sup>408</sup>

Iraq's Major Crimes Task Force (MCTF) has progressed significantly over the past year. Iraqis work an average of 30 cases simultaneously, in conjunction with INL-sponsored counterparts at the DoJ, to combat violent groups and corruption.<sup>409</sup> In May 2008, nearly half of the Iraqi investigators have been assigned to the corruption team. In addition to mentoring, coordinating,

### PROGRESS ON THEATER INTERNMENT FACILITY REINTEGRATION CENTER PROJECTS

LOCATION	% COMPLETE	ESTIMATED COMPLETION DATE	CHANGE FROM APRIL 2008
Ramadi TIFRIC	44%	Project was suspended for 20 days on 6/12/2008	Up 20%
Ramadi TIFRIC Brick Factory	90%	7/5/2008	Up 87%
Taji TIFRIC	45%	9/3/2008	Up 28%
Taji TIFRIC Brick Factory	27%	7/30/2008	Up 24%

Source: GRD, response to SIGIR data call, July 2, 2008; GRD, *Bi-Weekly Directorate SITREP*, June 10–June 23, 2008, pp. 13, 15, 16.

TABLE 2.35

and advising, the United States conducts training modules. This quarter:<sup>410</sup>

- ten investigators underwent tactical training.
- four investigators trained on biometric processes and kits.
- two investigators attended the six-week basic training course.
- two investigators took a two-week course on public corruption.

This quarter, the DoJ Office of Overseas Prosecutorial Development, Assistance and Training, sponsored by INL, accomplished these goals:<sup>411</sup>

- brought officials together in Kirkuk to address improving coordination between police and the judiciary
- secured ESF Quick Response Funds to ease overcrowding in Kerbala's main courthouse

- gathered conference information from the HJC and provincial courts for use in the U.S. Embassy's Rule of Law Assessment

### U.S. Detainees

The United States detains individuals considered to be “an imperative security risk.”<sup>412</sup> By early June 2008, the detainee population was less than 21,000, down from a high of 26,000 during the surge.<sup>413</sup>

Other U.S. projects include Theater Internment Facility Reintegration Center (TIFRIC) programs, which are located in Ramadi and Taji. Since last quarter, all TIFRIC projects have demonstrated construction progress. However, the facility in Ramadi (which was to be completed in November 2008) was suspended in June 2008.<sup>414</sup> For an update on TIFRIC status, see Table 2.35.

# RECONSTRUCTION ACROSS IRAQ

## U.S.-FUNDED PRISON CONSTRUCTION

LOCATION	VALUE	ESTIMATED COMPLETION DATE	STATUS	CHANGE FROM APRIL 2008
Basrah Central	\$11.2 million	TBD	Soliciting bids	Value increased by \$1.34 million; no change in construction progress
Chamchamal	\$32.0 million	February 2009	40% complete	Completion date extended by 23 days due to weather; construction progressed by 33%
Fort Suse: Phase I	\$6.5 million	March 2009	25% complete	Completion date extended by 80 days; value increased by \$0.47 million; construction progressed by 18%
Fort Suse: Phase III	\$11.5 million	TBD	Contract awarded on June 8, 2008	Contract awarded
Nassriya: Phase II	\$7.3 million	December 2008	32% complete	Construction progressed by 12%
Ramadi	\$22.8 million	TBD	N/A	N/A

Source: INL, response to SIGIR data call, July 3, 2008.

TABLE 2.36

## WITNESS PROTECTION FACILITIES

LOCATION	COST TO DATE	COST TO COMPLETE	ANTICIPATED END-DATE	COMPLETION PROGRESS	CHANGE FROM APRIL 2008
Basrah	\$1.9 million	\$0.1 million	7/30/2008 (date pushed back from 4/15/2008)	96%	No change
Rusafa	\$1.7 million	\$0.3 million	6/30/2008 (date pushed back from 5/31/2008)	87%	23%
Al-Karkh	\$2.0 million	\$0	Completed	100%	No change

Source: INL, response to SIGIR data call, July 3, 2008.

TABLE 2.37

### U.S.-funded Construction

In an effort to strengthen Iraq's physical infrastructure, the United States builds and renovates prisons, courthouses, and witness protection facilities. INL has an interagency agreement with the U.S. Army Corps of Engineers, Gulf Region Division, for prison construction. A new facility in Ramadi was added this quarter. For an overview of prison construction, see Table 2.36.

The United States provides protection for witnesses and their families. INL funds the construction of three facilities in Basrah, Rusafa, and Al-Karkh as part of this effort. A construction project in Mosul was terminated in January 2008 after a car bomb damaged the courthouse.<sup>415</sup> For an update on the construction of witness protection facilities, see Table 2.37.

# RECONSTRUCTION IN THE PROVINCES



section

2c

## OVERVIEW

Aimed at reversing decades of centralized control, U.S. assistance in the provinces has focused on strengthening local and provincial capacity to deliver essential services and to realize progress through initiatives to improve security, the economy, and governance.

This section provides an update on U.S. capacity building in Iraq's provinces. The first

subsection discusses the process of transferring security authority back to the provinces; the second describes efforts to address shortfalls in provincial budget execution; and the third reviews the work of the Provincial Reconstruction Teams (PRTs). This is followed by snapshots of key issues within each of the 18 provinces.

## PROVINCIAL IRAQI CONTROL

By supporting the training and independence of the Iraqi Security Forces (ISF), the United States and Coalition partners have been transitioning control of the provinces to the Iraqis. Transfer of security authority, known as Provincial Iraqi Control (PIC), returns to the Iraqis strategic, operational, and tactical control over local and provincial jurisdictions. Although Coalition forces remain available to provide overwatch and related support, once a province has achieved PIC status, the ISF is responsible for providing the day-to-day security protection.

On July 16, 2008, Qadissiya became the tenth province to achieve PIC.<sup>416</sup> Anbar did not achieve PIC on June 29, 2008, as expected. Sandstorms were cited as disruptions to the Anbar ceremony.<sup>417</sup> The Multi-National Force-Iraq (MNF-I) reported that Anbar is expected to achieve PIC status by July 31, 2008.<sup>418</sup>

Transition of security for PIC requires approval from the Joint Committee to Transfer Security Responsibility (JCTSR), which is an Iraqi-chartered group with members from MNF-I and the GOI. The JCTSR assesses the province's

capacity to assume security responsibility<sup>419</sup> in four areas:

- governance
- external threats
- local ISF capabilities
- MNF-I's ability to respond to security issues should the ISF require assistance<sup>420</sup>

A province is transferred when external threats are minimal and Iraqi and Coalition groups deem the other three areas satisfactory. Thus, the conditions-based process reflects the changing security situation on the ground, and dates for achieving PIC remain in flux. Since 2005, timelines have shifted eight times. For the status of PIC timelines, see Figure 2.24.

## COALITION SECURITY FOOTPRINT

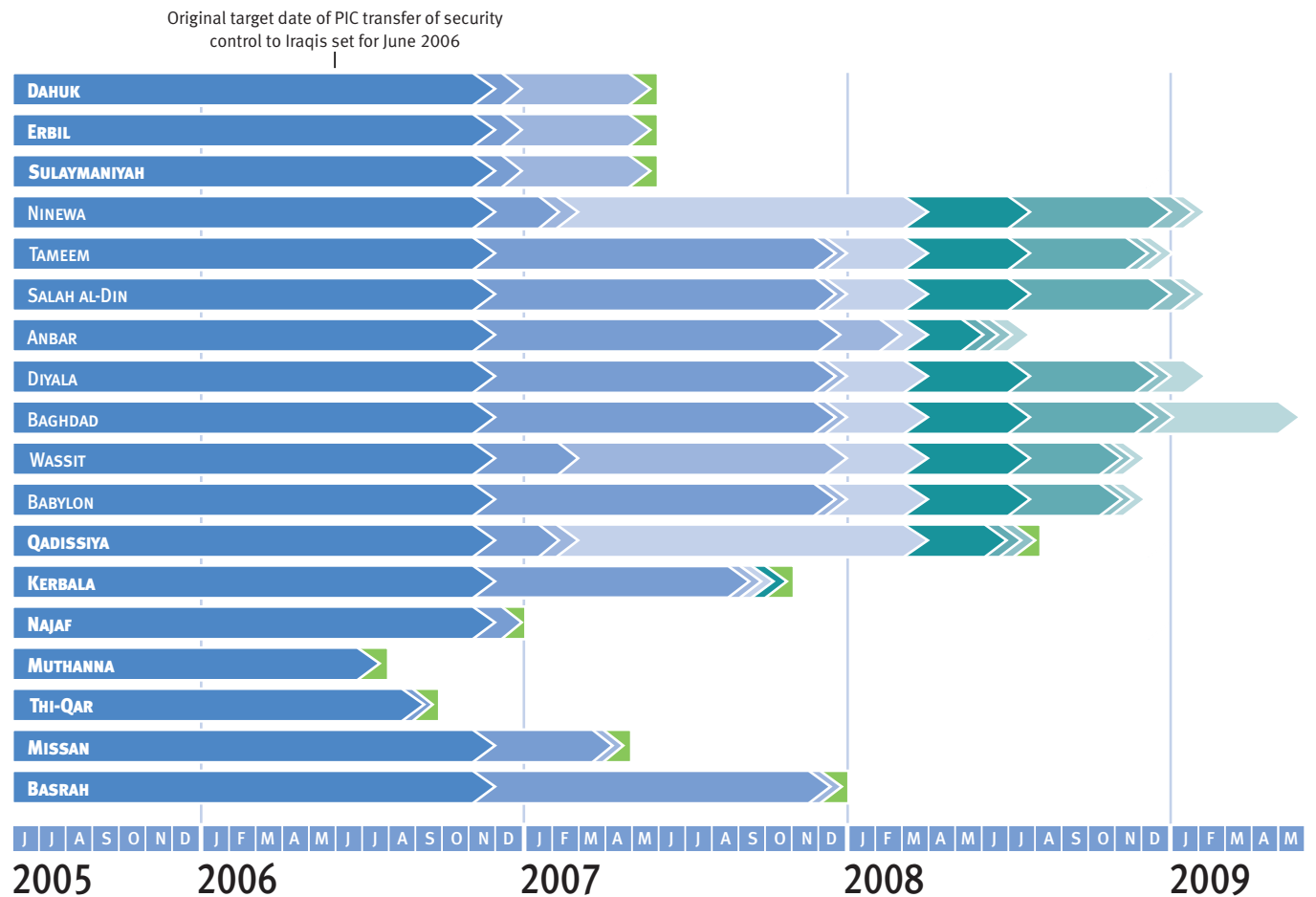
In mid-July 2008, the last of five surge Brigade Combat Teams returned to the United States, which necessitates altered military positioning.

Once a province achieves PIC, U.S. and Coalition troops modify their security footprint. Between May 2006 and March 2008, DoD regularly

Figure 2.24

## EXTENSION OF TIMELINE FOR PROVINCIAL IRAQI CONTROL OF SECURITY

Sources: DoD, *Measuring Security and Stability in Iraq*, December 2006, March 2007, June 2007, September 2007, December 2007; Statement of General David H. Petraeus, Commander, MNF-I, "Report to Congress on the Situation in Iraq" (4/8/2008–4/9/2008); MNF-I, Response to SIGIR Data Call (7/12/2008)



### ANTICIPATED PIC DATE

- Original target date of PIC transfer of security control to Iraqis set for June 2006
- Extended per December 2006 9010 Report
- Extended per March 2007 9010 Report
- Extended per June 2007 9010 Report
- Extended per September 2007 9010 Report
- Extended per December 2007 9010 Report
- Extended per General Petraeus April 8, 2008 Testimony before the Senate Armed Services Committee
- Extended per MNF-I, Response to SIGIR Data Call (7/12/2008)
- Achieved PIC Status

Note: Provinces that have achieved PIC status are shown in bold.

## BI-MONTHLY CERP FUNDING TO SONS OF IRAQ (\$ MILLIONS)

DATE	TOTAL
June–July 2007	\$1.46
August–September 2007	\$25.30
October–November 2007	\$36.36
December 2007–January 2008	\$61.82
February–March 2008	\$63.55
April–May 2008	\$64.76
<b>Total</b>	<b>\$253.25</b>

Source: MNC-I, response to SIGIR data call, July 7, 2008.

Note: Numbers are affected by rounding.

TABLE 2.38

reported on the operational status of Forward Operating Bases (FOBs). Only two FOBs were transferred or closed between June 2007 and January 2008.<sup>421</sup>

Increases in FOB transfers to the GOI have generally been attributable to improved ISF capacity in that area, with emphasis on FOBs “under Iraqi control.”<sup>422</sup> Ultimately, the process of transferring control back to the ISF is accomplished through operational and strategic overwatch, which leverages Coalition support through the least number of strategically located FOBs and Convoy Support Centers.<sup>423</sup>

Drawing down Coalition forces also affects efforts designed to strengthen civilian institutions within provinces that have achieved PIC. U.S. military forces and the Embassy are coordinating the protection of the PRTs. A recent U.S. Embassy survey noted that PIC has affected PRTs differently. In some provinces, the ISF is competent or improving, and has provided PRT escorts after incidents.<sup>424</sup> In other locations, PRTs have had a different experience. In Basrah, for example,

## STATUS OF THE SOI, BY LOCATION

LOCATION	MEMBER TOTAL	AVERAGE MONTHLY PAY	GROWTH RATES (3/1/2008–7/1/2008)
MND-Baghdad	30,630	\$236	-161
MND-North	30,692	\$368	3121
MNF-West	4,867	\$181	190
MND-Central	35,345	\$299	-86
MND-Central South	2,002	\$171	0

Source: MNF-I, response to SIGIR data call, July 7, 2008.

Note: MND is Multi-National Division; MNF is Multi-National Force.

TABLE 2.39

the PRT faces a more dangerous security situation both on and off the base, and it now receives security protection from the Coalition.<sup>425</sup>

## SONS OF IRAQ

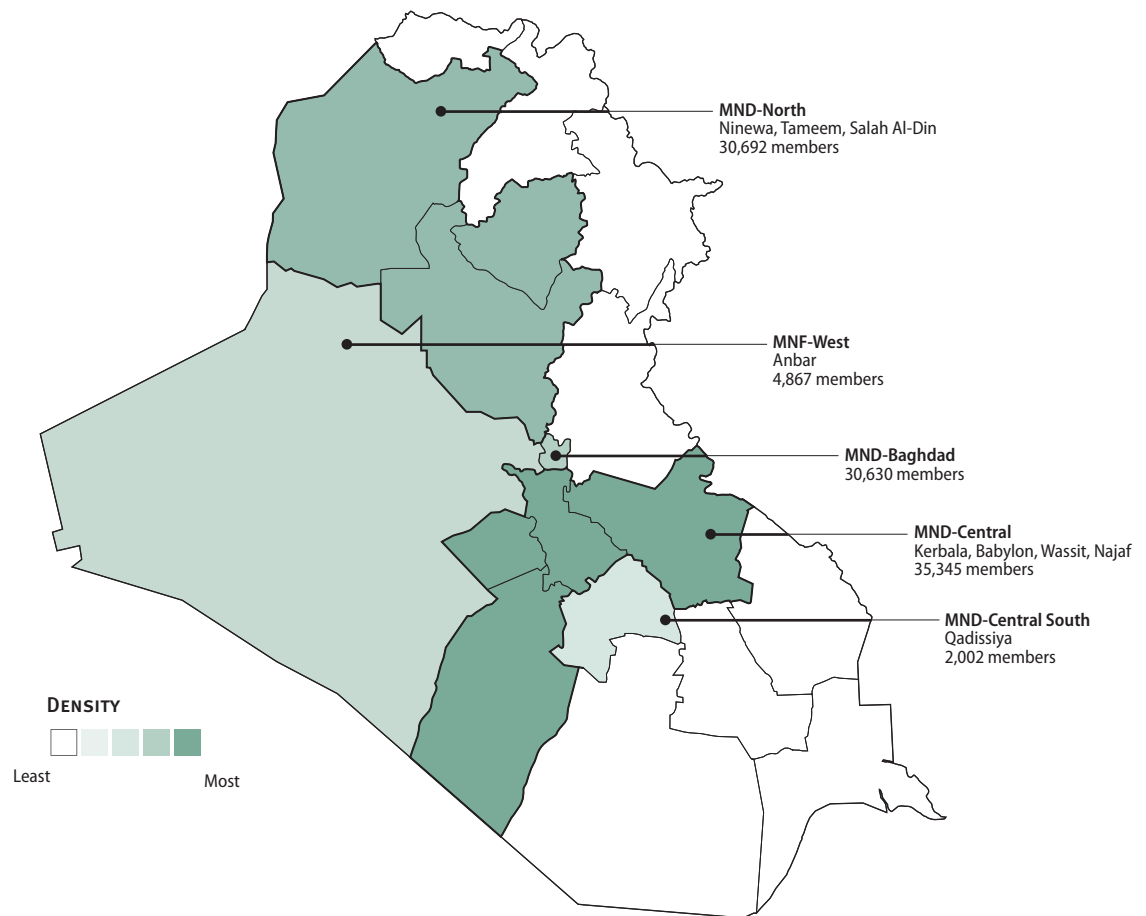
The Sons of Iraq (SOI) evolved in 2007 from the Anbar Awakening movement as a U.S.-sponsored effort that provides security at the neighborhood level. These groups operate as a counterinsurgency force, manning checkpoints, patrolling their communities, uncovering illegal transactions, protecting facilities, and providing information on insurgent activities to the ISF and Coalition forces.<sup>426</sup>

The Iraqi Army oversees the SOI in both urban and rural areas, but the Iraqi police command supervises members in urban locales only. The Coalition provides overwatch when neither the police nor the Army is present. The groups are not allowed to conduct “independent offensive actions or missions” and “must remain in a defensive posture,”<sup>427</sup> serving under this chain of command.<sup>428</sup>

Figure 2.25

## DISTRIBUTION OF SONS OF IRAQ

Source: MNF-I, Response to SIGIR Data Call (7/7/2008)



**Note:** MND is Multi-National Division; MNF is Multi-National Force.

- Group Leader (often a sheik)
- Area Supervisors
- Checkpoint/Patrol leads
- Guards

Currently, there are 103,000 Sons of Iraq,<sup>429</sup> with an average of 133 men per group.<sup>430</sup> Although most SOI members are under temporary Coalition contracts,<sup>431</sup> 4,353 SOI volunteers are located across Baghdad, Salah Al-Din, Ninewa, and Tameem.<sup>432</sup> There are also approximately 7,000 volunteers for the Sons of Basrah, comprised of Shia who are not part of the SOI program which is mostly Sunni.<sup>433</sup>

Funded largely by the Commander's Emergency Response Program (CERP), the United

States provided \$253 million for the SOI program between June 2007 and May 2008.<sup>434</sup> The GOI also provides funding through security contracts. Table 2.38 provides total CERP dollars allocated to the SOI program.

The daily pay scale ranges from \$5 to \$10 for low-level members and up to \$15 to \$26 at the higher levels.<sup>435</sup> For an overview of the program see Table 2.39 and Figure 2.25.

Challenges facing the program include infiltration by militias or other groups, as well as continued al-Qaeda attacks on SOI members. To offset infiltration, the Coalition employs biometric screening and works with tribal leaders to vet personnel.<sup>436</sup>



## TRANSITIONING THE SOI

The SOI are not part of Iraq's formal security apparatus, and the program is considered a "temporary security measure."<sup>437</sup> Nearly 19,700 members, however, have transitioned to the ISF or into civilian employment.<sup>438</sup> As of July 12, 2008, MNF-I reported that more than 14,000 have already become part of the ISF,<sup>439</sup> but developing broad support of the program has been a challenge—particularly in the Ministry of Interior.<sup>440</sup>

Transitioning the SOI to the ISF or civilian employment is a key factor in turning the program's accomplishments into long-term security gains.<sup>441</sup> The U.S. and GOI are clearing a path for the SOI to fill new occupational roles in the community.

The current U.S.-proposed transition plan, which has been presented to Iraq's Prime Minister, calls for a reduction of 43,000 SOI members, of which 17,000 will transition to the ISF, and 26,000 will pursue civilian employment by the end of 2008.<sup>442</sup> The plan also calls for remaining contracts to be transferred to the GOI by June 2009. The Prime Minister, GOI leaders, and the Ministry of Interior have yet to approve the plan.<sup>443</sup>

In the meantime, the United States has been funding two programs aimed at transitioning

members into non-ISF employment: the **Civil Service Corps** and the **Joint Technical Education and Reintegration Program (JTERP)**.

Although the CERP funds the SOI program, the Iraq Security Forces Fund (ISFF) provides \$155.5 million to these reintegration programs:<sup>444</sup>

- \$120 million to the Civil Service Corps
- \$35.5 million to the JTERP

Previous ISFF use has been limited to providing the Iraqi Security Forces with equipment, services, and training, as well as repair, renovation, and construction of facilities.

The GOI is providing \$196 million for reintegration programs: \$126 million to the JTERP and an additional \$70 million to reintegrate former militia member and insurgents not part of the SOI.<sup>445</sup>

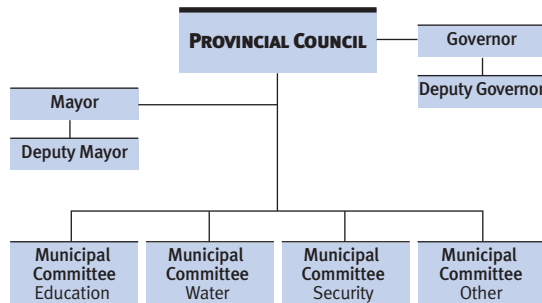
## Daughters of Iraq

The **Daughters of Iraq** (Iraqi women) also contribute to security protection. With the rising number of female suicide bombers, three Multi-National Divisions employ the Daughters of Iraq to search women at checkpoints and other entries as a means of addressing these security concerns.<sup>446</sup>

Figure 2.26

**PROVINCIAL GOVERNANCE IN IRAQ**

Source: USAID, Response to SIGIR data call (7/10/2008)



**Note:** This figure is a general representation of the provincial governance organization. Each province may differ in its organization of these roles and responsibilities.

## PROVINCIAL BUDGET EXECUTION

Funding directed to provincial capital budgets has increased from nearly \$2.1 billion in 2007 to nearly \$3.5 billion in 2008 (excluding the Kurdish region). However, the process for spending and tracking expenditures remains a concern. In June 2008, DoD reported that provincial budget execution must improve, citing the challenges of bureaucratic inefficiency, corruption, and sectarian differences.<sup>447</sup>

Last quarter, the U.S. Treasury reported that provincial governments had spent only 31% of their capital budgets for 2007.<sup>448</sup> To address shortfalls in execution, U.S. programs are extending budgeting and procurement assistance at the national and provincial levels. This quarter, Iraq's Ministry of Finance (MOF) reported incomplete information on provincial capital budget execution through March 2008.<sup>449</sup>

Budget and expenditure processes are executed through several tiers of the Iraqi government: a federal structure, decentralized capital region (Baghdad), regional government (the Kurdish Regional Government is Iraq's only regional government), and the other 15 provinces.<sup>450</sup> The structure of provincial governance is defined by Order 71 of the Iraqi Constitution, which

provides for the limited powers afforded the elected Provincial Councils (PCs).<sup>451</sup>

As the highest elected bodies in the provinces, the PCs may set priorities for the province, amend specific ministry initiatives (as long as budgetary limits and national objectives are not violated), oversee the implementation of federal projects, make recommendations on the delivery of national services, organize the provincial administration, and implement provincial projects from available resources or with NGOs. Although authorized to raise revenues, PCs receive a national budget allocation, which serves as their primary source of funding. Governors, elected by the PCs, function as the chief executive officials in the provinces.<sup>452</sup> For an example of the PC structure, see Figure 2.26.

The limited constitutional authorities of the PCs supplement a robust national presence in the provinces. Each federal ministry has a presence in the provinces and operates with varying degrees of dependence/independence, although not with complete autonomy. These offices (General Directorates, or GDs) are located in the provinces, under the leadership of the Directors General (DGs). Allocation of resources to the provinces

## 2008 PROVINCIAL ALLOCATIONS (\$ MILLIONS)

	OPERATIONAL ALLOCATIONS	CAPITAL ALLOCATIONS	TOTAL
Provincial Council and Provinces	\$88.2	\$0	\$88.2
General Directorates in the Provinces	51.3	3,333.3	3,384.7
<b>Subtotal of All Provincial Allocations, Excluding the KRG</b>	<b>139.5</b>	<b>3,333.3</b>	<b>3,472.9</b>
KRG	2,955.8	2,528.2	5,484.0
<b>Grand Total</b>	<b>\$3,095.3</b>	<b>\$5,861.5</b>	<b>\$8,956.9</b>

Source: Ministry of Finance, "Iraqi Federal Budget 2008," provided by the U.S. Treasury, June 29, 2008.

TABLE 2.40

from ministries is based on factors that range from population (for services such as hospitals or educational institutions) to provincial administrative responsibilities (such as support-plant facilities that serve more than one province, such as water or power).

## IRAQ'S 2008 PROVINCIAL BUDGET

The asymmetry between the central government and the provinces is demonstrated in the allocation of Iraq's 2008 budget. Of the national 2008 budget, which currently is \$49.89 billion, less than \$3.5 billion has been allocated to the provinces, excluding the KRG.<sup>453</sup>

Just 25.5% of the total national capital budget was directly appropriated to central ministry representatives in the GDs, excluding the KRG.<sup>454</sup> Additional capital funding appropriated directly to the ministries may also work its way to the

GDs for the provinces.<sup>455</sup> The PCs were appropriated just \$88.2 million, which supports only their basic operational requirements.<sup>456</sup> For an overview of 2008 provincial allocations, see Table 2.40.

As of March 2008, the MOF reported that just \$93.2 million<sup>457</sup> had been expended by the provinces, which is only 2.7% of the total capital budget directed to the provinces for FY 2008.<sup>458</sup> Although the Iraqi fiscal year began in January 2008, the budget was not passed until mid-February; therefore there was not "adequate time to demonstrate progress."<sup>459</sup>

The following are some capital budget highlights for 2008:<sup>460</sup>

- largest amount expended: Najaf, \$18.7 million
- highest rate of expenditure: Missan, 17.4%
- DGs in Ninewa, Qadissiya, Basrah, Muthanna, Diyala, and Anbar have not yet expended any of their 2007 and 2008 capital budget allocations.

## 2007-2008 CAPITAL BUDGET EXECUTION IN THE PROVINCES (\$ MILLIONS)

PROVINCE	ALLOCATED 2007	EXPENDED 2007	% EXPENDED 2007	ALLOCATED 2008	EXPENDED 2008	% EXPENDED 2008
Kurdish Region: (Dahuk, Erbil, Sulaymaniyah)	\$1,560	\$1,487.0	95%	\$2,528	\$266.0	11%
Ninewa	\$226	58.5	26%	359	0	0%
Tameem	91	31.0	34%	146	13.7	9%
Salah Al-Din	93	31.5	34%	150	16.1	11%
Anbar	107	4.0	3.7%	192	N/A	N/A
Diyala	110	N/A	N/A	168	N/A	N/A
Baghdad	560	174.4	31%	885	14.5	2%
Wassit	83	33.7	41%	137	0.3	0.2%
Babylon	127	61.9	49%	206	5.1	3%
Qadissiya	64	24.7	39%	137	0	0%
Kerbala	71	29.4	41%	170	7.4	4%
Najaf	88	56.4	64%	150	18.7	13%
Muthanna	52	9.9	19%	87	N/A	N/A
Thi-Qar	138	54.8	40%	219	0.1	0.1%
Missan	76	39.0	51%	124	17.4	14%
Basrah	195	40.8	21%	322	0.0	0%

Source: Ministry of Finance (MOF), *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008. MOF, *Capital Report*, November 2007, provided by the U.S. Treasury, June 29, 2008.

Note: Numbers are affected by rounding. The MOF has updated budgets since last quarter, which would explain any discrepancies against last quarter's figures. Data for 2007 budget execution was provided by the MOF only through November 2007. The MOF did not report expended data for Diyala in the November 2007 Capital Report, and for Muthanna, Diyala, and Anbar in the March 2008 Capital Report. The remaining 2006 budget is not included in the allocations for 2007, and the remaining 2007 budget is not included in allocations for 2008.

TABLE 2.41

For a comparison of 2008 capital budget execution by province, as of March 2008, see Table 2.41.

## KURDISTAN REGIONAL GOVERNMENT

In 2007, the Kurdistan Regional Government (KRG) was budgeted nearly \$4.8 billion, and in 2008, the KRG received nearly \$5.5 billion (\$2.5 billion for capital projects).<sup>461</sup> As of March 2008, the KRG had expended 21.6% of its operational

budget and only 10.5% of its capital budget.<sup>462</sup>

The U.S. Embassy notes that the Iraqi government does not have accurate information for the allocations to the KRG by province.<sup>463</sup> The KRG determines the Kurdistan provincial allocation, and beginning in 2008, it was expected to start reporting its expenditures back to the central government.<sup>464</sup> However, as of July 7, 2008, no reported expenditures have been received. Once the funds are released to the KRG, the MOF considers them expended.

## PROVINCIAL RECONSTRUCTION TEAMS

The civil-military PRT program works with local government leaders to facilitate reconstruction, integrating U.S. efforts at the national level with projects conducted at the local level. As a bridge between the local and national governments, the PRTs have assisted the Iraqi provincial governments in developing their budgets, securing funding from the central government, and executing funds for projects throughout the province. Through the Local Governance Program (LGP), PRTs across the country worked with each of the provincial councils to create a Provincial Development Strategy (PDS).

The fundamental aim of the Iraq PRT program is to build the capacity of local governments to provide for the needs of the population. This quarter, two new PRTs were established in southern Iraq at Kerbala and Najaf.<sup>465</sup> These PRTs have expanded from their previous status as Provincial Support Teams (PSTs).

As of June 2008, 27 PRTs are operating in Iraq: 14 permanent teams at the provincial level and another 13 embedded PRTs (ePRTs), which are based with U.S. Brigade Combat Teams (BCTs) across Iraq. To bolster the efforts of local governments and spur economic development, the U.S. reconstruction strategy relies on the ability of PRTs to provide a balance of diplomatic, military, and economic development capabilities.

## MEASURING PROGRESS IN THE PROVINCES

Past SIGIR reports on the PRT program have recommended the development of clearly defined objectives and performance measures to guide the PRTs and determine their accomplishments.<sup>466</sup> Although not intended to measure the effectiveness of the PRTs, the Office of Provincial Affairs (OPA) developed an assessment system—the Capability Maturity Model—that measures provincial capabilities in five areas. OPA has been using the standardized metrics of this model to assess and compare the status of different provinces in achieving these objectives:<sup>467</sup>

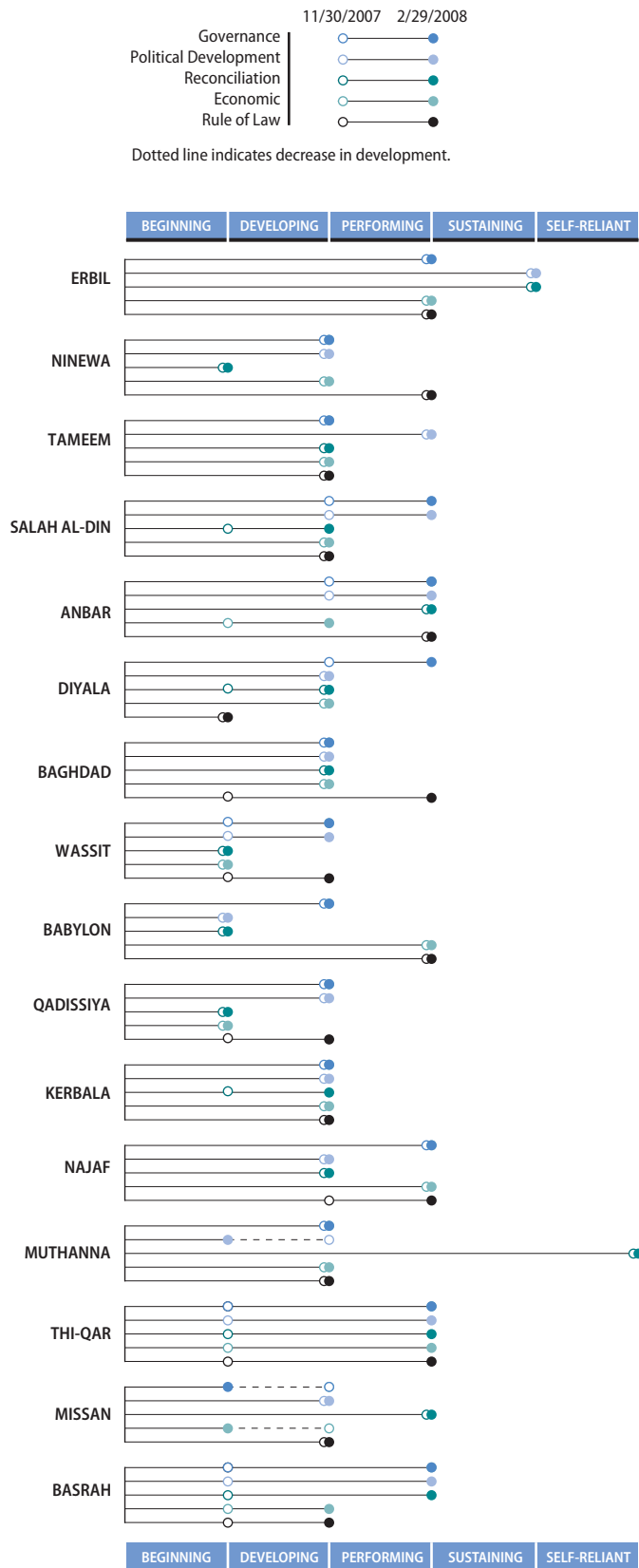
- **Governance:** “Assist in the development of sub-national governments that are self-sufficient, transparent, accountable, and capable of identifying, prioritizing, and servicing the needs of the citizens.”
- **Political Development:** “Promote the development of an engaged local population and effective political parties, institutions, representatives, and officials that respect rights of individuals and groups, promote pluralism, and peacefully transfer power.”
- **Economic Development:** “Help sub-national governments and the private sector to establish and implement broad-based and comprehensive economic development strategies that promote equitable and sustainable growth.”
- **Rule of Law:** “Enhance the quality of justice enjoyed by the populace by improving the accountability, effectiveness, and consistency of

# RECONSTRUCTION IN THE PROVINCES

Figure 2.27

## CAPABILITY MATURITY MODEL RANKINGS, BY PROVINCE

Source: OPA, Response to SIGIR Data Call, "PRT Maturity Model Chartering Tool" (7/29/2008)



services administered by policing, corrections, judicial, and other legal institutions.”

- **Reconciliation:** “Assist conflicting parties to resolve their differences by engaging in direct and peaceful dialogue to identify and pursue shared aims and interests.”

For a comparison of results in the provinces in November 2007 and in February 2008, see the Capability Maturity Model Score Sheet in Figure 2.27. SIGIR plans a future review of the PRT program to include an assessment of the model.

Although PRT members report that they spent significant time compiling reports on their activities and the conditions in their area of operations, there is no systematic method of measuring a PRT’s performance or effectiveness.<sup>468</sup> However, the House Armed Services Committee has noted that the Capability Maturity Model is a step in the right direction.<sup>469</sup> The existing appraisal mechanisms measure the effectiveness of the individuals on a team, but OPA does not have a mechanism for measuring the effectiveness of a PRT as a whole.<sup>470</sup>

## PRT RESOURCES

As of June 2008, there are 441 PRT personnel staffed or managed by DoS in the 27 PRTs and 4 PSTs. Approximately 360 additional personnel provide support to the PRTs, including locally engaged staff, bilingual/bicultural advisors, and civil-affairs personnel.<sup>471</sup>

Finding qualified individuals with applicable skills and experience to staff the PRTs has been a challenge. Although DoD provides the plurality of PRT personnel, including civilian and military

Note: OPA did not report on rankings for Sulaymaniyah and Dahuk.

PRT STAFFING BY AGENCY, AS OF 6/29/2008

AGENCY	PERSONNEL
DoS – 3161, Contractor, FSO, INL, Other	223
DoD	88
USAID - RTI	53
USAID	31
USDA	22
DoJ	9
Italy	9
DoC	3
United Kingdom	3
Other: locally engaged staff, bilingual/bicultural advisors, and civil-affairs personnel	359
<b>Total</b>	<b>800</b>

Source: OPA, response to SIGIR data call, June 29, 2008.

TABLE 2.42

members, the challenge continues to be finding people with the right skills.<sup>472</sup> Civilian contractors are often hired to fill gaps. For the staffing distribution by agency, as of June 29, 2008, see Table 2.42.

## PRT FUNDING AND PROGRAMS

PRTs use several funding tools to execute their efforts within the provinces. More than 30% of the ESF has been allocated to PRT programs:

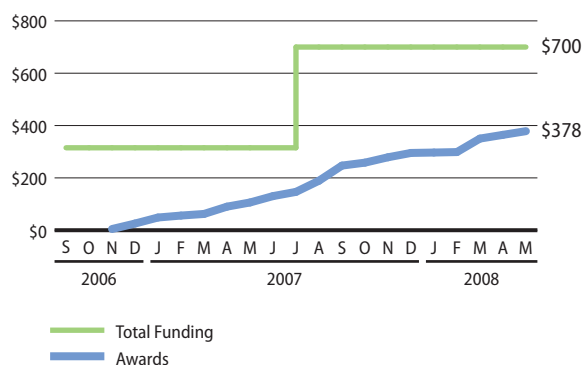
- **PRT/Provincial Reconstruction Development Council (PRDC) program:** \$700 million
- **Quick Response Fund (QRF):** \$132 million
- **Local Governance Program (LGP):** \$245 million

Figure 2.28

### PRDC PROJECT AWARDS FY 2006 & FY 2007, AS OF 6/9/2008

\$ Millions

Source: OPA, Response to SIGIR Data Call (6/29/2008)



Note: Numbers are affected by rounding. The PRT/PRDC program was allocated \$315 million in FY 2006 ESF Supplemental funding and \$385 million in FY 2007 ESF Supplemental funding.

## PRT/PRDC PROGRAM

The PRT/PRDC program was allocated \$315 million in FY 2006 ESF Supplemental funding and \$385 million from the FY 2007 ESF Supplemental. The main objectives of the program are to advance the capacity of provincial governments to deliver essential services and to strengthen links between local communities and the GOI.<sup>473</sup>

Through May 2008, 194 projects, valued at nearly \$277 million, had been awarded from FY 2006 ESF monies. This has consumed more than 88% of FY 2006 Supplemental ESF funding. Also, 84 projects, valued at more than \$101 million, were awarded with approximately 26% of the FY 2007 Supplemental.<sup>474</sup> For the status of PRT/PRDC projects funded by these appropriations, see Figure 2.28.

## PRT QUICK RESPONSE FUND

To accelerate economic, social, and civil society development in Iraqi provinces, the QRF was established in mid-2007 with \$125 million of the ESF. This quarter, \$7 million of uncommitted PRT funds were realigned from the PRDC program to the QRF, totaling \$132 million. PRT

## SIGIR INSPECTIONS COMPLETED THIS QUARTER

INSPECTION	PROVINCE
PA-08-124 Al Shofa Water Facility (ESF)	Thi-Qar
PA-08-125 Al Kazim Water Facility (ESF)	Thi-Qar
PA-08-127 Nassriya 33-Kilovolt Power Line (ESF)	Thi-Qar
PA-08-129 Al Ager Water Compact Unit (ESF)	Thi-Qar
PA-08-137 Phase 6 & 7 of the Kirkuk-to-Baiji Pipeline Exclusion Zone (ESF)	Salah Al-Din
PA-08-138 Kahn Bani Sa'ad Correctional Facility	Diyala

TABLE 2.43

staff administers the QRF by identifying projects that build the capacity of neighborhoods or that of government entities at the provincial level.

The program is jointly executed by DoS and USAID, which manage funds through grants of up to \$500,000.<sup>475</sup> As of June 29, 2008, DoS had allotted \$32 million of the 2008 QRF assistance.<sup>476</sup> Of these funds, nearly \$20.8 million has been obligated,<sup>477</sup> and nearly \$11.9 million has been expended.<sup>478</sup>

**LOCAL GOVERNANCE PROGRAM**

The Local Governance Program (LGP) complements PRT activities by promoting representative citizen participation in provincial, municipal, and local councils in Iraq's provinces. In 2007,

the LGP worked with provincial councils to create a provincial development strategy for each province.<sup>479</sup>

This quarter, USAID allocated \$6.5 million to the LGP to launch the Accountability Program to create greater accountability and transparency in local government processes. The program will run through October 31, 2008, and initially, it will be conducted in Baghdad province. Once implemented in the capital, similar annexes will be launched in Iraq's other provinces. The effort will include one-on-one mentoring of key provincial and district capabilities, a series of training workshops, and two educational handbooks detailing fraud indicators and other useful tools.<sup>480</sup>

**PROVINCIAL SNAPSHOTS**

This section provides a brief overview of key issues within each of Iraq's 18 provinces, including U.S. reconstruction efforts.

At the halfway point in this Year of Transfer, there are mixed gains regarding the economic, political, and security aspects across the provinces. These variations shape the types of projects and programs being executed in northern, central, and southern Iraq. In some areas, the Iraqis are taking over many of the security and reconstruction management responsibilities. In others, more U.S. technical support and capacity development assistance is required.

SIGIR produced a capping report of its first 100 inspections. Brief summaries of the new findings have been included in the Provincial Snapshots. Table 2.43 provides a list of the inspections conducted this quarter and the province in which they are discussed.

For a broad summary of metrics that focus on population, U.S. funding, Iraqi funding, economy, essential services, governance, and security of each province, see Table 2.44.<sup>481</sup> The provinces are grouped by geographic regions—northern, central, and southern.



# RECONSTRUCTION IN THE PROVINCES

## SELECTED COMPARISONS OF IRAQ'S 18 PROVINCES (\$ MILLIONS)

Province	POPULATION STATISTICS		U.S. FUNDING				IRAQI FUNDING			ECONOMY	
	Population <sup>a</sup>	Internally Displaced Persons (IDPs) <sup>b</sup>	IRRF 2 Project Costs <sup>c</sup>	ISFF Total Project Costs <sup>d</sup>	ESF Project Costs <sup>e</sup>	CERP Project Costs <sup>f</sup>	2008 Provincial Capital Budget Allocation <sup>g</sup>	Provincial Budget Capital % Expended vs. I-CERP Allocations <sup>h</sup>	I-CERP Allocations <sup>i</sup>	Total Bank Branches/ EFT Capable <sup>j</sup>	Total Awards to Iraqi First Vendors <sup>k</sup>
Dahuk	616,600	104,948	\$188.03	\$7.34	\$57.19	\$111.16			N/A	13/6	\$42.85
Erbil	1,845,200	31,783	\$690.58	\$26.80	\$79.75	\$76.37	\$2,528.22	10.52%	N/A	29/8	\$125.86
Sulaymaniyah	2,159,800	79,672	\$188.03	\$25.34	\$71.85	\$11.96			N/A	20/5	\$26.58
Ninewa	2,473,700	106,750	\$740.43	\$807.70	\$83.28	\$174.11	\$359.16	0.00%	\$32.10	53/14	\$49.25
Tameem	839,100	36,202	\$769.95	\$242.45	\$229.66	\$123.21	\$146.01	9.36%	\$12.90	22/4	\$131.34
Salah Al-Din	1,077,800	45,762	\$630.58	\$203.16	\$308.23	\$185.18	\$150.36	10.71%	\$13.20	22/3	\$248.90
Anbar	1,280,000	64,536	\$1,001.03	\$1,458.14	\$132.77	\$425.44	\$191.92	N/A	\$16.50	32/6	\$157.44
Diyala	1,373,900	103,426	\$856.84	\$414.96	\$44.62	\$164.88	\$167.95	N/A	\$15.00	25/4	\$29.57
Baghdad	6,386,100	563,771	\$4,315.43	\$4,290.26	\$1,029.32	\$978.04	\$884.50	1.64%	\$79.50	311/86	\$5,389.70
Wassit	941,800	75,325	\$410.08	\$139.71	\$63.82	\$58.52	\$136.66	0.18%	\$12.00	21/1	\$18.29
Babylon	1,444,400	77,914	\$299.24	\$33.98	\$60.38	\$164.72	\$205.64	2.48%	\$18.00	28/4	\$158.65
Qadissiya	866,700	26,320	\$229.33	\$73.57	\$24.72	\$75.39	\$136.54	0.00%	\$12.00	15/2	\$49.36
Kerbala	756,000	55,962	\$129.70	\$0.98	\$43.34	\$51.80	\$169.49	4.34%	\$10.50	22/4	\$5.51
Najaf	946,300	58,032	\$238.09	\$59.39	\$28.01	\$38.85	\$149.69	12.50%	\$12.90	25/6	\$31.25
Muthanna	536,300	18,351	\$321.02	\$2.67	\$41.36	\$24.27	\$86.82	N/A	\$7.50	9/3	\$1.17
Thi-Qar	1,427,200	47,825	\$1,444.92	\$285.75	\$54.21	\$40.87	\$218.48	0.05%	\$19.50	15/1	\$55.72
Missan	743,400	46,948	\$280.77	\$75.93	\$60.60	\$21.32	\$123.68	14.06%	\$10.80	11/1	\$2.85
Basrah	1,761,000	35,718	\$2,623.48	\$172.93	\$234.88	\$241.35	\$321.68	0.00%	\$27.60	51/9	\$183.02
Other <sup>x</sup>	—	—	\$9,927.30	\$597.06	\$1,247.69	\$10.06	—	—	—	—	—

<sup>a</sup> Total number of people residing in the province, as measured by the UN in November 2007. UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> Number of Iraqis displaced from their homes who have resettled to that province. USAID, response to SIGIR data call, June 29, 2008.

<sup>c</sup> Total budgeted costs of Iraq Relief and Reconstruction Fund projects. IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>d</sup> Total budgeted costs of Iraq Security Forces Fund projects. IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> Total budgeted costs for Economic Support Fund projects. IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>f</sup> Total budgeted costs for Commander's Emergency Response Program projects. IRMS, CERP Excel Workbook, June 30, 2008.

<sup>g</sup> Funding allocated to each province (and KRG) from the Central government, as reported by the Ministry of Finance (MOF). MOF, *Capital Report*, March 2008.

<sup>h</sup> The amounts spent as a percentage of the province's total allocation. N/A: The MOF did not provide data for the province. MOF, *Capital Report*, March 2008.

<sup>i</sup> Amounts of I-CERP funds allocated to each province. MNF-I, "Implementation of Iraqi Commander's Emergency Response Program," response to SIGIR data call, July 7, 2008.

<sup>j</sup> Total number of bank branches in a particular province, which is listed alongside the number of branches capable of Electronic Funds Transfer. JCC-I/A, response to SIGIR data call, July 7, 2008.

<sup>k</sup> Amounts of awards made through JCC-I/A's Iraqi First program. JCC-I/A, response to SIGIR data call, July 7, 2008.

<sup>l</sup> Total number of vendors receiving Iraqi First program awards for that province. JCC-I/A, response to SIGIR data call, July 7, 2008.

<sup>m</sup> Average daily megawatts (used to satisfy the load served) compared to demand, as estimated by the Ministry of Electricity and reported by ITAO. ITAO, *IRMO Electricity Daily Units Performance Report* (4/1/2008–6/9/2008).

# RECONSTRUCTION IN THE PROVINCES

ESSENTIAL SERVICES				GOVERNANCE					SECURITY		
Total Iraqi First Vendors <sup>l</sup>	Avg. Daily Electricity Load Served for Quarter (MW)/Demand for Quarter <sup>m</sup>	Operating Hospitals <sup>n</sup>	Hospital Beds per 100,000 People <sup>o</sup>	PRT Staff Numbers <sup>p</sup>	FY 2006 & FY 2007 PRDC Budgeted <sup>q</sup>	% of PRDC Budgeted Awarded <sup>r</sup>	Committed QRF Funds <sup>s</sup>	Tatweer Trainees by Province—May 2008 <sup>t</sup>	Avg. Daily Attacks (12/1/2007–2/22/2008) <sup>u</sup>	Avg. Daily Attacks (2/23/2008–5/31/2008) <sup>v</sup>	PIC Timeline <sup>w</sup>
55	123/203	N/A	N/A	1	\$26.78	73.20%	\$0.00	178	0.00	0.00	May 2007
58	174/373	N/A	N/A	14	\$26.78	84.06%	\$0.49	443	0.02	0.01	May 2007
20	137/305	N/A	N/A	1	\$26.78	68.35%	\$0.00	90	0.02	0.02	May 2007
124	402/737	14	134	33	\$26.31	68.99%	\$0.48	284	16.30	13.55	Jan 2009
184	179/252	6	137	30	\$25.13	44.51%	\$0.27	50	2.63	1.80	Dec 2008
448	226/323	9	98	31	\$25.13	33.16%	\$0.32	1	8.73	6.28	Jan 2009
127	157/307	11	110	58	\$52.23	50.60%	\$3.12	48	2.37	1.95	Jul 2008
56	157/228	9	84	33	\$25.13	75.97%	\$0.57	40	5.26	3.58	Jan 2009
2147	943/2,028	37	142	117	\$176.10	48.76%	\$6.76	578	15.60	24.02	May 2009
89	87/182	9	145	21	\$25.13	102.59%	\$0.51	129	0.23	0.57	Nov 2008
111	131/250	8	89	25	\$25.13	118.84%	\$0.91	72	0.57	0.73	Nov 2008
106	116/228	5	111	8	\$25.13	44.16%	\$0.06	58	0.08	0.18	Jul 2008
20	97/213	3	93	10	\$25.13	45.94%	\$0.15	56	0.02	0.06	Oct 2007
62	130/234	5	93	13	\$25.13	37.31%	\$0.18	9	0.00	0.03	Dec 2006
16	83/169	5	165	11	\$25.13	45.20%	\$1.88	54	0.04	0.02	Jul 2006
92	211/294	7	73	18	\$25.13	36.61%	\$0.50	193	0.24	0.23	Sep 2006
9	97/178	7	133	5	\$25.13	39.97%	\$0.73	81	0.02	0.00	Apr 2007
273	612/760	12	201	10	\$63.80	50.95%	\$3.85	59	1.21	1.28	Dec 2007
19	—	—	—	2	—	—	—	—	—	—	—

<sup>n</sup> Number of operational hospitals in each province. ITAO, response to SIGIR data call, June 29, 2008.

<sup>o</sup> Average number of hospital beds per 100,000 people in the province. ITAO, response to SIGIR data call, June 29, 2008.

<sup>p</sup> Number of Provincial Reconstruction Team members located in each province. OPA, response to SIGIR data call, June 29, 2008.

<sup>q</sup> Total amounts budgeted for each province in PRT/PRDC program funds, for both the FY 2006 and FY 2007 Supplemental appropriations. OPA, response to SIGIR data call, June 29, 2008.

<sup>r</sup> PRDC award amounts as a percentage of PRDC budgeted amounts. OPA, response to SIGIR data call, June 29, 2008.

<sup>s</sup> Amounts committed from the ESF Quick Response Fund in each province. OPA, response to SIGIR data call, June 29, 2008.

<sup>t</sup> Number of Iraqi civil servants trained by the U.S.-funded National Capacity Development Program in May 2008. USAID, response to SIGIR data call, June 29, 2008.

<sup>u</sup> Number of attacks per day occurring between December 1, 2007, and February 22, 2008. MNF-I, SPA Assessments, "SIGACTS III Database (Coalition Reports only) as of June 1, 2008," provided by OSD-Policy, July 9, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

<sup>v</sup> Number of attacks per day occurring between February 23, 2008, and May 31, 2008. MNF-I, SPA Assessments, "SIGACTS III Database (Coalition Reports only) as of June 1, 2008," provided by OSD-Policy, July 9, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

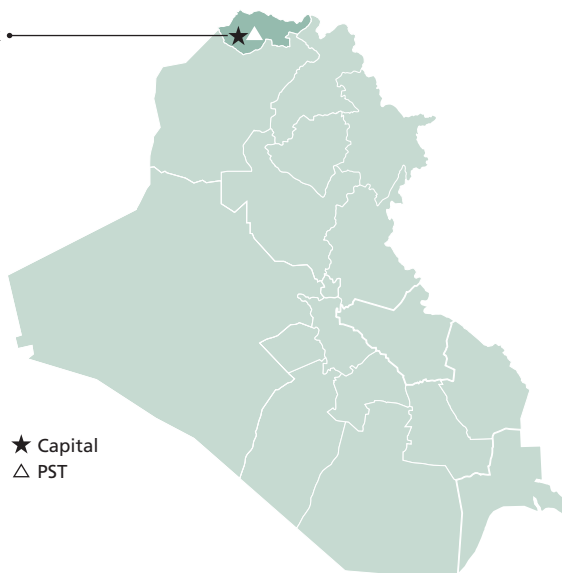
<sup>w</sup> Date by which province was transferred to Provincial Iraqi Control.

<sup>x</sup> Data at a national level or external to a single province.

TABLE 2.44



Dahuk



★ Capital  
△ PST

# DAHUK

CAPITAL: **Dahuk**POPULATION:<sup>a</sup> **616,600**RELIGION:<sup>b</sup> **39% Sunni, 3% Shia, 58% other**KRG CAPITAL BUDGET:<sup>c</sup> **\$2.53 billion, 11% expended**U.S. PROJECTS:<sup>d</sup> **476**U.S. PROJECT COSTS:<sup>d</sup> **\$164 million**

## RECONSTRUCTION PROJECTS<sup>e</sup>

### MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST /ACTUAL COMPLETION
1	Dahuk	Construct New Duhok—Aqra 132Kv Overhead Line	<b>\$19.14</b>	IRRF 2	11/7/2007
2	Dahuk	Construct New Aqra 132kV Substation	<b>\$18.48</b>	IRRF 2	7/31/2008
3	Dahuk	Zrka Correctional Facility—Dahuk Rehabilitation Center	<b>\$7.06</b>	IRRF 2	6/20/2007
4	Zakho	Renovation of Zahko Military Academy	<b>\$6.60</b>	IRRF 2	4/22/2006
5	Amedi	Atrush Substation	<b>\$5.43</b>	IRRF 2	2/22/2006

## SECURITY<sup>g</sup>

RIC DATE: **May 2007**

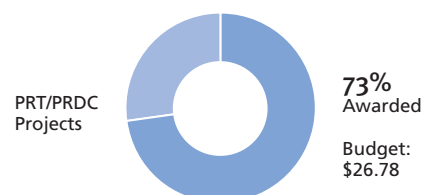
### AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	<b>0</b>	—
February 23, 2008–May 31, 2008	<b>0</b>	—

#### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008, and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



PRT Quick Response Fund

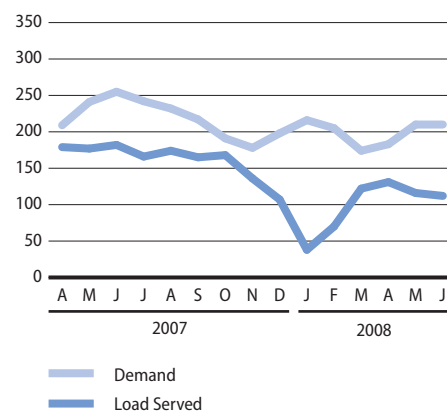
0 Projects

\$0 Committed

## ESSENTIAL SERVICES<sup>h</sup>

### DAHUK ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND

Megawatts (MW)





New track and athletic field and military academy dining facility in Dahuk.

## ECONOMY

Three provinces—Dahuk, Erbil, and Sulaymaniyah—form the Kurdistan region, which is governed by an independent regional body. The Head of the Investment Board of the Kurdistan Regional Government (KRG) recently spoke of Kurdistan as the safest place in Iraq, highlighting the economic success that has been fostered by the region's many advantages.<sup>482</sup>

- stable security environment
- political unification
- business-friendly government policies
- funding from oil income
- tax structure and legal system focused on making it easier for businesses to invest in the future of Kurdistan

This quarter, a U.S.-based educational tourism company led 17 American visitors to Dahuk city. This is the first group of American tourists in the Kurdish region since 2003.<sup>483</sup>

## PROVINCE BACKGROUND

### GOVERNOR:

Tamer Ramazan Fatah

### KEY FEATURES:

- Part of the Kurdistan region

### ECONOMIC ACTIVITY:

- A growing tourist industry, currently thriving under the post-Saddam government

## ESSENTIAL SERVICES

About 40% of electricity demand remains unmet in Dahuk province.<sup>484</sup> Work resumed on the **New Aqra 132-kV Substation** in Dahuk, a \$18.5 million project funded by the IRRE. GRD estimates completion by July 31, 2008,<sup>485</sup> and the project is expected to provide more reliable electricity for about 150,000 residents.<sup>486</sup>

This quarter, the **Barash Water Well and Network** project began operations. Funded by \$203,000 of the CERP, the facilities provide 250 villagers with potable water. This project was officially transferred to the KRG in February 2008.<sup>487</sup>

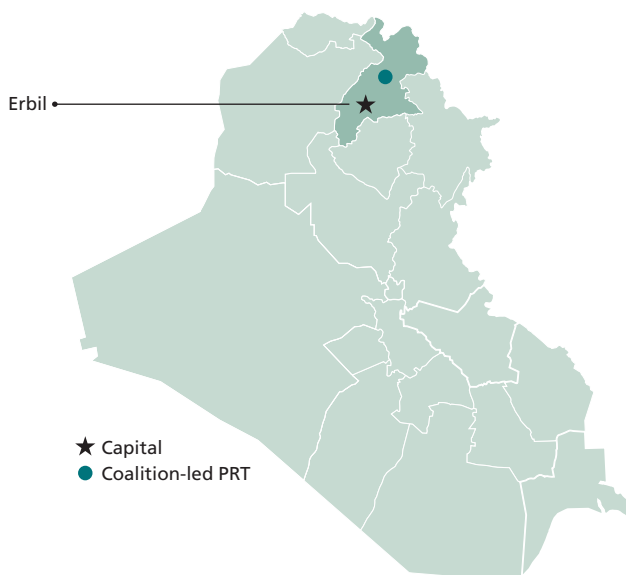
## GOVERNANCE

With an investment law in place, the governor of Dahuk met recently with commercial investors to assess the region's agriculture and to encourage the involvement of American companies in the sector. The governor also met with the Czech Ambassador this quarter to discuss potential reconstruction and investment projects.<sup>488</sup>

## SECURITY

As one of the three provinces under the authority of the KRG, Dahuk remains one of the more stable areas in the country, with no reported attacks on ISF, Coalition personnel, or Iraqi civilians from February 23, 2008, to May 31, 2008.<sup>489</sup> Even before 2003, the KRG was relatively autonomous, but Dahuk achieved official Regional Iraqi Control in May 2007.

There has been no significant militia or external terrorist infiltration of the province. This quarter, however, Turkey continued to strike camps and bases of the Kurdistan Workers' Party (PKK). The PKK, which aims at establishing a Kurdish state, is known to attack locations in Turkey and Iran.



# ERBIL

CAPITAL: **Erbil**

POPULATION:<sup>a</sup> **1.85 million**

RELIGION:<sup>b</sup> **62% Sunni, 2% Shia, 36% other**

KRG CAPITAL BUDGET:<sup>c</sup> **\$2.53 billion, 11% expended**

U.S. PROJECTS:<sup>d</sup> **839**

U.S. PROJECT COSTS:<sup>d</sup> **\$481 million**

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST COMPLETION
1	Erbil	Design and Construct Erbil City-Iffraz Main Water Supply Project	\$201.49	IRRF 2	7/29/2006
2	Erbil	Dibis-Erbil 132kV Line	\$22.38	IRRF	7/31/2004
3	Erbil	New Erbil-Qaraqush 132kV Line	\$21.00	IRRF	5/25/2004
4	Erbil	Construct Erbil Police Academy	\$10.01	ISFF	8/29/2008
5	Erbil	Construct 1/2 HQ and 3/1/2 In Kahzarl	\$9.29	IRRF	11/30/2008

## SECURITY<sup>g</sup>

RIC DATE: **May 2007**

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	.02	↓
February 23, 2008–May 31, 2008	.01	

Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.

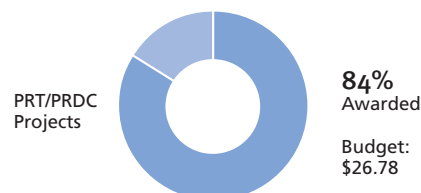
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008, and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

Notes: Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

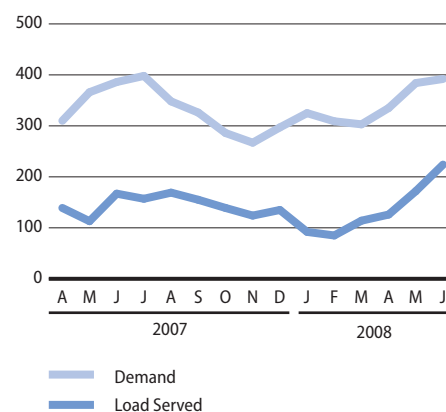
## PRT PROJECTS<sup>f</sup> \$ MILLIONS



PRT Quick Response Fund 48 Projects \$\$.49 Committed

## ESSENTIAL SERVICES<sup>h</sup>

ERBIL ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)





The Great Mosque in the city of Erbil.

## ECONOMY

Although Erbil produces some oil, the provincial economy is based mostly in agriculture.<sup>490</sup> According to the Provincial Development Strategy (PDS), the lack of available water is one of the primary obstacles to the province's main industry.<sup>491</sup>

The Kurdistan Regional Government is funding a new \$300 million terminal in **Erbil's International Airport**, which will be able to handle 2.75 million passengers each year.<sup>492</sup> Kurdistan has another international airport in Sulaymaniyah.

## ESSENTIAL SERVICES

The PDS established these goals for Erbil's essential-service sectors:<sup>493</sup>

- **Electricity.** Improve the distribution service of electricity throughout the province.
- **Water.** Improve the delivery of drinkable water, improve the availability of water resources, develop a sewage network, and enhance irrigation systems.
- **Education.** Reduce adult illiteracy, improve the quality of education delivered, introduce information technology into the curricula, and support low-income families with supplies of school materials.

This quarter, work continued on the planned **Mosul-Kirkuk-Erbil 400-kV Lines**, and the project is now 42% complete. A new **400-kV substation** is planned for Erbil, with an estimated cost of \$50 million to be funded by the KRG.<sup>494</sup>

The construction of the **Erbil 18-Classroom School** continued this quarter. Funded with \$1.9 million of the ESE, the project is now 66% com-

plete, and Erbil city residents may expect completion in September 2008.<sup>495</sup>

## GOVERNANCE

A recent PRT assessment on February 29, 2008, rated Erbil's governance capabilities at 3.0 (Sustaining) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Nine provinces currently rank below Erbil.<sup>496</sup>

This quarter, the KRG signed production-sharing contracts with a Canadian firm and also with a South Korean firm.<sup>497</sup> The GOI and the KRG have not yet reached consensus on the region's production-sharing contracts. KRG signing of the contracts presents another challenge to the ongoing efforts to reach agreement on the details of the hydrocarbon legislation.<sup>498</sup>

## SECURITY

As part of the semi-autonomous KRG, Erbil has not experienced the violence that affected other regions in Iraq. From February 23, 2008, to May 31, 2008, only one attack was reported against ISF, Coalition forces, or civilians.<sup>499</sup> In May 2007, all KRG provinces achieved Regional Iraqi Control, and violence remains low.<sup>500</sup> Erbil has not experienced an increase in attacks or terrorism resulting from recent ISF and Coalition operations that have pushed al-Qaeda in Iraq northward.<sup>501</sup>

## PROVINCE BACKGROUND

**GOVERNOR:**  
Nawzad Hadi

### KEY FEATURES:

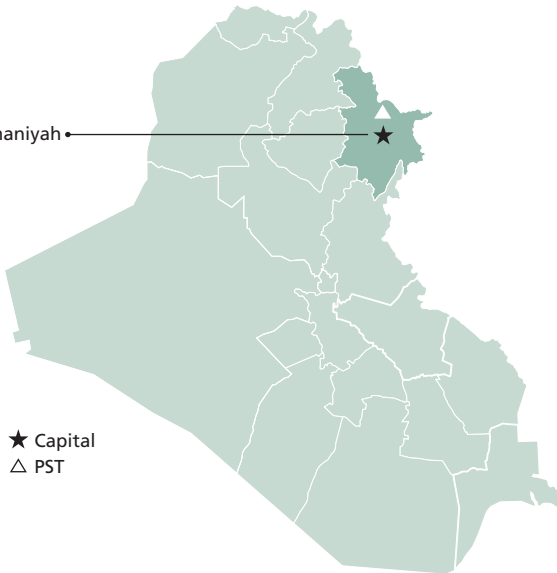
- Part of the Kurdistan region
- Capital is the oldest continuously inhabited city in the world

### ECONOMIC ACTIVITY:

- Largely agricultural, with some oil production



Sulaymaniyah



★ Capital  
△ PST

# SULAYMANIYAH

CAPITAL: Sulaymaniyah

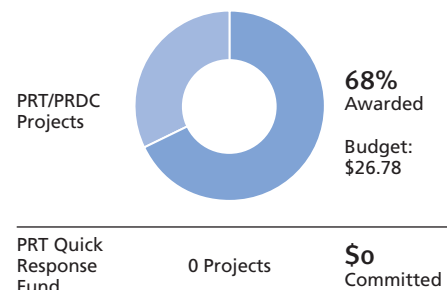
POPULATION:<sup>a</sup> 2.16 millionRELIGION:<sup>b</sup> 88% Sunni, 12% ShiaKRG CAPITAL BUDGET:<sup>c</sup> \$2.53 billion, 11% expendedU.S. PROJECTS:<sup>d</sup> 646U.S. PROJECT COSTS:<sup>d</sup> \$212 million

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ACTUAL COMPLETION
1	Sulaymaniyah	Construct New South Sulaymaniyah 132Kv Substation	\$29.66	IRRF 2	8/1/2008
2	Sulaymaniyah	Border Enforcement Academy	\$21.86	IRRF 2	9/10/2005
3	Sulaymaniyah	Public Safety Training Academy	\$10.58	IRRF 1	6/1/2005
4	Chamchamal	Construct Facilities For 2/3/4 At Chamchamal	\$6.80	ISFF	11/30/2007
5	Dokan	Industrial Region New Substation	\$5.42	IRRF 2	4/19/2006

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## SECURITY<sup>g</sup>

RIC DATE: May 2007

### AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	.024	↓
February 23, 2008–May 31, 2008	.020	

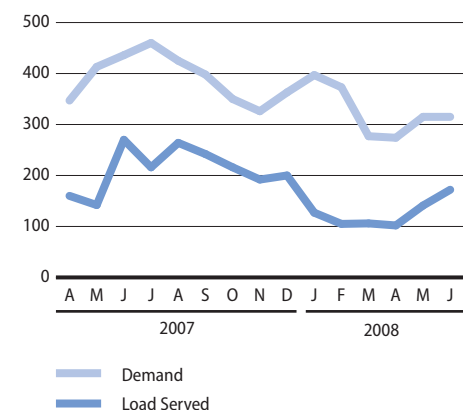
## Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008, and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## ESSENTIAL SERVICES<sup>h</sup>

### SULAYMANIYAH ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND

Megawatts (MW)







View from Sulaymaniyah border fort construction project.

## ECONOMY

Sulaymaniyah is regarded as one of the most agriculturally advanced provinces in Iraq,<sup>502</sup> but according to the Provincial Development Strategy (PDS), these problems constrain economic development:<sup>503</sup>

- underdevelopment of agricultural potential
- inability to use provincial financial resources
- lack of foreign expertise in the area of investment
- inflation and the fluctuation in currency exchange

This quarter, the U.S. Deputy Secretary of Commerce led the first major trade mission to

Iraq in more than 20 years. The two delegations from the U.S. Department of Commerce and the U.S. Chamber of Commerce, along with 28 representatives of American companies, discussed business opportunities in the Kurdistan region.<sup>504</sup>

## ESSENTIAL SERVICES

The PDS noted the monopolization of investment projects by the public sector as a remaining challenge.<sup>505</sup> Also, it emphasized that access to basic social services remains limited, citing these most critical projects:

- **Electricity:** installing required power stations and enhancing electricity transmission lines
- **Water:** renewing the Dokan-Sulaymaniyah

## PROVINCE BACKGROUND

### GOVERNOR:

Dana Ahmed Majid

### KEY FEATURES:

- Part of the Kurdistan region

### ECONOMIC ACTIVITY:

- Outputs include tobacco, fruit, cereals, and livestock
- Popular tourist destination among Iraqis

pipeline, setting up water gauges to avoid wasting water, and modernizing water distribution

- **Health Care:** establishing quality control for importing medicine and medical equipment, conducting medical awareness campaigns, and setting up a contracting system

This quarter, work started on the **Rania Water Project**, a \$2.2 million effort funded by the ESF. The project includes construction of three elevated concrete tanks, eight deepwater wells, three pump houses, and a pipe network that will distribute potable water to more than 2,000 houses in the province.<sup>506</sup>

## GOVERNANCE

Sulaymaniyah is working to improve transparency and accountability and to promote good governance across the province. As outlined in the PDS, the administrative directorate has set these objectives:<sup>507</sup>

- Support decentralization.
- Distribute authority among the different levels of local government.
- Modernize the administration system in the province.
- Develop transparency and accountability.
- Establish anticorruption measures.
- Strengthen the role of the Provincial Council (PC) and develop local councils.

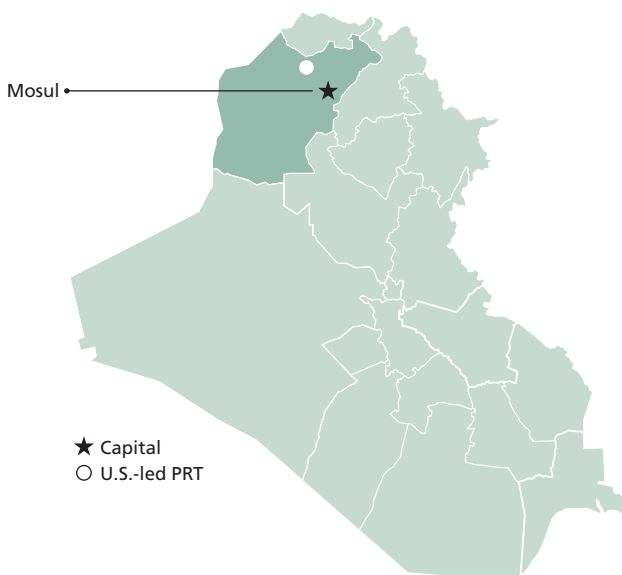
To implement the PDS goals successfully, the province plans to establish the needed units inside or outside the governor's office. This quarter, the Deputy Governor met with the U.S. military liaison officer to the Kurdistan Regional Government (KRG) in Sulaymaniyah<sup>508</sup> to foster closer coordination of projects that Coalition forces deliver to the area, including the supply of refined fuels.

The U.S. liaison also met with the head of Sulaymaniyah PC. This quarter, the head of the province's PC clarified the procedures for spending the province's budget, asserting the need for issue of "a special law for the Provincial Councils" and urging the Kurdistan National Assembly and Council of Ministers to issue a law for the KRG PCs.<sup>509</sup>

## SECURITY

Generally, this province experiences minimal violence and low incidence of attack.<sup>510</sup> DoD reported that there were only two attacks from the end of February 2008 to the end of May 2008.<sup>511</sup> However, Iran continues to launch air strikes against Kurdistan Workers' Party strongholds located along the border. Like the other KRG provinces, Sulaymaniyah achieved Regional Iraqi Control in May 2007.





# NINEWA

CAPITAL: **Mosul**

POPULATION:<sup>a</sup> **2.47 million**

RELIGION:<sup>b</sup> **42% Sunni, 5% Shia, 53% Other**

CAPITAL BUDGET:<sup>c</sup> **\$359 million, 0% expended**

U.S. PROJECTS:<sup>d</sup> **4,008**

U.S. PROJECT COSTS:<sup>d</sup> **\$983 million**

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Telafar	Renovate Al Kasik Military Base Phase I/II	\$46.75	IRRF 2	1/31/2006
2	Mosul	4th Div HQ 2&4	\$34.11	ISFF	12/31/2006
3	Mosul	Reconstruct Mosul 400kV Substation	\$29.43	IRRF 2	2/21/2007
4	Telafar	Al Kasik Phase 2	\$28.69	IRRF 2	1/31/2006
5	Mosul	Construct Mosul Police Recruit Academy	\$27.69	ISFF	11/20/2008

## SECURITY<sup>g</sup>

PIC DATE: **January 2009**

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	16.30	↓
February 23, 2008–May 31, 2008	13.55	

Sources:

<sup>a</sup>UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup>IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup>Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup>IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup>IRMS, *ITAO Rollup*, July 7, 2008.

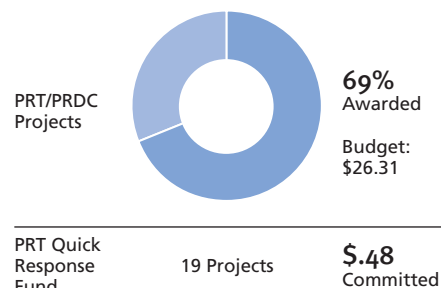
<sup>f</sup>ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup>MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup>ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

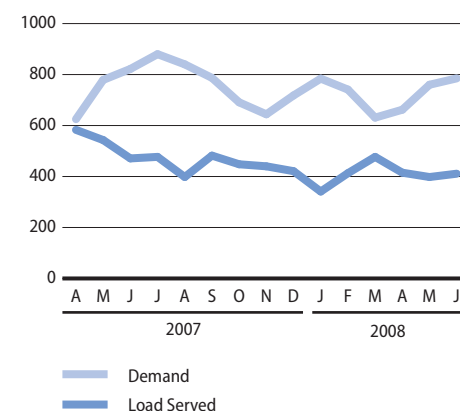
Notes: Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

NINEWA ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)



## ECONOMY

Agriculture is the main economic activity in Ninewa province. In its Provincial Development Strategy (PDS), the Provincial Council noted that the presence of inactive industrial plants, the deactivation of investment laws, and the shortage of equipment needed to handle fuel by-products are challenges to economic development.<sup>512</sup>

PRT Ninewa recently partnered with local farmers to form three multi-ethnic, multi-sectarian farmers associations. These groups recently delivered nine tractors (built by TFBSO-supported factories) to increase profitability.<sup>513</sup>

## ESSENTIAL SERVICES

The PDS noted these challenges in the essential-service sectors:<sup>514</sup>

- **Electricity.** There has been a severe shortage of power supply infrastructure since the 1990s, a shortage of power generation, deterioration of networks, and lack of public awareness among citizens about usage restrictions.
- **Water.** Ninewa lacks modern equipment; its water network is old and suffers from excessive abuse; and its citizens lack awareness of rationing procedures.
- **Health Care.** The Ministry of Health has been excessive in centralizing services; there is a shortage of financial subsidies; and there are not sufficient hospitals and healthcare centers to serve the population.

This quarter, the **Sinjar Wells** project was transferred to the Ninewa provincial government. Funded by \$17 million of the IRRF, the project will provide clean drinking water to more than 200,000 residents in the Sinjar mountain region. Improve-

## PROVINCE BACKGROUND

### GOVERNOR:

Duraïd Muhammed Kashmula

### KEY FEATURES:

- Capital is Mosul, which lies across the Tigris River from the ruins of Ninewa

### ECONOMIC ACTIVITY:

- Main product is cereal, which includes wheat and barley
- Industrial activities include cement production, textiles, and beverage factories

ments include the installation of 84 new pump stations and distribution lines, drilling of 48 new wells, and construction of 60 water storage tanks.<sup>515</sup>

The United States continues to procure grout mixing plants and cement storage silos for work on the **Mosul Dam**. A U.S. gap analysis confirmed the need for additional storage capacity as well as a mixing plan. The Ministry of Water Resources (MOWR) is responsible for the actual grouting operations. This quarter, it conducted laboratory tests for new grout mixes, but no acceptable designs have been identified. The enhanced grouting program has made limited progress to date, and the ongoing U.S. work at the dam is expected to end by early to mid-2009. As required under a post-delivery support plan to the MOWR, the United States is developing a transition plan to transfer activities.<sup>516</sup>

Ninewa produces electricity through the Mosul Dam and Mosul Gas Plant, and supply is augmented by power purchases from Iran and Turkey. The local PRT reports that delivery of electricity is constrained by a lack of fuel, security issues, and low operational efficiency of generators.<sup>517</sup>

## GOVERNANCE

A recent PRT assessment rated Ninewa's governance capabilities at 2.0 (Developing) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Seven provinces are ranked above Ninewa and one below.<sup>518</sup>

The Ninewa PRT is working on issues related to Article 140 and minority populations.<sup>519</sup> Elections also appear to be a high priority for the PRT.



Mosul International Airport. (USACE photo)

Although results of PRT assessments vary, generally, residents indicate that they want elections to occur and

that they plan to participate in them.<sup>520</sup>

U.S. **Local Governance Program (LGP)** staff worked with their counterparts in Mosul and the provincial public works and planning organization to set up a regional workshop in Erbil on an “Integrated Solid Waste Management Program for Mosul City.” Iraqi participants included the Director of Municipalities, Director of General Health, Director General of Education, Mosul University faculty, and the Mayor of Mosul. The workshop will focus on technologies, education, equipment use, and community organization.<sup>521</sup>

Four new projects in Mosul were approved for funding under the Marla Ruzicka Iraqi War Victims Assistance Fund, which is administered through the **Community Action Program (CAP)**. They aim to equip families of Iraqi civilians killed or injured as a result of Coalition engagements with the means to provide for themselves.<sup>522</sup>

## SECURITY

DoD reports that Ninewa is only partially ready to transfer to Provincial Iraqi Control (PIC).<sup>523</sup> It is expected to achieve PIC in early 2009.<sup>524</sup> The PDS noted these challenges to Ninewa’s security environment:<sup>525</sup>

- lack of a central operation command post
- lack of an intelligence system to provide security information
- lack of the role of the media in uncovering criminals and terrorists

- lack of modern technology for security agencies in uncovering and foiling explosives

Ninewa had the second highest rate of insurgent attacks in all of Iraq, averaging nearly 13.6 each day from February 23, 2008, to May 31, 2008.<sup>526</sup> In May 2008, following the deployment of aviation, engineering intelligence, and intelligence assets, Iraq’s Prime Minister launched a coordinated campaign targeting terrorists and militias. DoD reported that the operation interrupted terrorist and militia activities and stirred additional support from the local population.<sup>527</sup> Operations in Mosul were largely conducted by Iraqi forces.<sup>528</sup> Police training will be expanded, and a 440-man commando battalion will be based in Mosul.<sup>529</sup>

Despite the security gains, U.S., Iraqi, and Coalition troops continue to fight al-Qaeda and other groups in the province (including the Islamic State of Iraq, Jaish Mujahideen, Jaish al-Islami, and Ansar al-Sunna).<sup>530</sup> Mosul is still the site of considerable violence, including religious retaliation, assassinations, and large car bombings.

This quarter, gunmen at a fake checkpoint in Mosul stopped a bus carrying Yezidi and Christian textile workers. The Christians were ordered to leave the bus, and gunmen drove the Yezidi hostages to eastern Mosul, where they were executed. In retaliation, hundreds of Yezidis attacked Kurdistan Democratic Party offices in Mosul and burned Kurdish flags. Kurdish Peshmerga troops responded, shooting and wounding three protesters. During the unrest, shops were shuttered, and many Muslims stayed in their homes, fearing reprisal attacks.<sup>531</sup>



# TAMEEM

CAPITAL: **Kirkuk**

POPULATION:<sup>a</sup> **839,100**

RELIGION:<sup>b</sup> **73% Sunni, 22% Shia, 5% Other**

CAPITAL BUDGET:<sup>c</sup> **\$146 million, 9% expended**

U.S. PROJECTS:<sup>d</sup> **3,413**

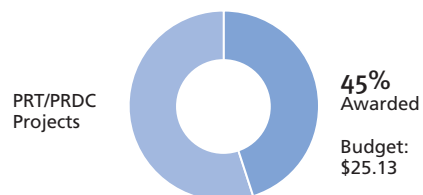
U.S. PROJECT COSTS:<sup>d</sup> **\$983 million**

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST COMPLETION
1	Kirkuk	Kirkuk Substation Combustion Turbines	\$205.16	IRRF 1	11/29/2005
2	Kirkuk	Construct Iraqi Military Base At Kirkuk	\$49.80	IRRF 2	7/31/2005
3	Kirkuk	Construct Brigade Facility At Kirkuk	\$38.24	IRRF 2	9/8/2005
4	Kirkuk	Al Fatha Pipe Crossing	\$30.19	IRRF 2	4/1/2006
5	Kirkuk	Old Mulla Gas Power Plant Maintenance Upgrade	\$27.18	IRRF 2	9/23/2004

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



PRT Quick Response Fund 32 Projects \$2.27 Committed

## SECURITY<sup>g</sup>

PIC DATE: **December 2008**

### AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	2.63	↓
February 23, 2008–May 31, 2008	1.80	

#### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, [www.iom-iraq.net](http://www.iom-iraq.net).

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

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<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

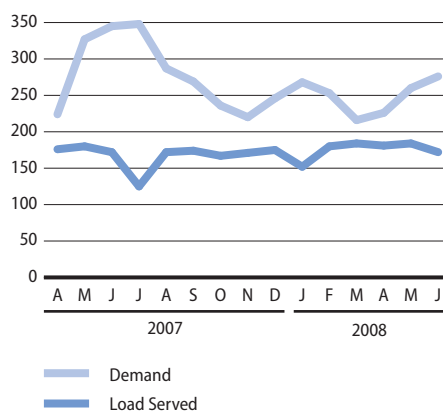
<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

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## ESSENTIAL SERVICES<sup>h</sup>

TAMEEM ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)





## ECONOMY

Tameem's Provincial Development Strategy (PDS) noted these challenges to economic development in the province:<sup>532</sup>

- limited contacts and connection to foreign direct investment
- immigration of Iraqi intellectuals, local investors, and human capital
- underdevelopment of agricultural potential
- decline of public expenditure on agriculture
- difficulty in using the province's financial resources

The continuing drought in Iraq has significantly affected the Tameem province, particularly in the al-Zab area, south of Kirkuk. The wheat crop is a complete loss in this area. Moreover, while visiting sheep grazing areas in the province, the PRT Agriculture Team found abandoned villages of sheepherders.<sup>533</sup> This quarter, the KRG began releasing water from Lake Dokan to help meet the province's municipal, industrial, and irrigation requirements.<sup>534</sup>

This quarter, the Iraqi Al-Aman microfinance

institution opened two satellite offices in Kirkuk. The institution has assisted the Iraqi Company for Bank Guarantees (ICBG) in lending to small and micro-enterprises.<sup>535</sup>

## ESSENTIAL SERVICES

The PDS noted these challenges in the essential services sectors:<sup>536</sup>

- **Water.** Projects do not have sufficient electricity, main water lines are tapped illegally, observation stations must be constructed to protect new projects, and citizens lack general awareness of water usage restrictions.
- **Health Care.** There is a shortage of medical supplies and sophisticated devices, as well as physician training opportunities and facilities.
- **Education.** Teachers do not have adequate access to basic services, the curricula is outdated, schools are crowded, and displaced children do not have adequate access to schooling—particularly the illiterate.

PRT Kirkuk is working to improve essential services in the province's largest city. The **Kirkuk Solid Waste Program** was initiated in 2005 at a

## PROVINCE BACKGROUND

### GOVERNOR:

Abdul Rahman Mustafa Fattah

### KEY FEATURES:

- Large oil reserves located in Kirkuk, which is also the cultural center for the Iraqi Turkmen ethnic group

### ECONOMIC ACTIVITY:

- Strong agricultural and industrial base
- Rich in oil and natural gas reserves





Iraqis gather at food distribution point in Tameem. (Defense Imagery photo)

cost of \$22 million for construction, equipment, trucks, and training costs. Nearly \$9 million of the project was funded by the CERP. GRD estimates that this project will serve approximately one million Iraqis and create sustainable employment for 700 workers.<sup>537</sup>

This quarter, the PRT in Tameem coordinated with the Kirkuk Directorates of Health and Education to complete a free prescription eyewear program for elementary school children. Of 6,300 students tested, free prescription glasses were delivered to 275 vision-impaired children.<sup>538</sup> The project was completed on May 4, 2008.

## GOVERNANCE

A recent PRT assessment rated Tameem's governance capabilities at 2.0 (Developing) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Seven provinces are ranked above Tameem and one below.<sup>539</sup>

This quarter, the Provincial Council made significant progress in the implementation of the 13-point agreement between the Kirkuk Brotherhood List (KBL) and the Arab Bloc by swear-

ing in the Kurdish and Arab members of the re-constituted Kirkuk City Council. As part of the agreement, the Council is required to ensure a diverse ethnic composition. However, progress on the formation of this Council is stalled until the Turkman and Christian nominees are identified and approved by their respective political entities.<sup>540</sup> The re-constitution of the local Council represents advancement toward political reconciliation in the province.

## SECURITY

DoD reported that there were just under two attacks daily in Tameem from February 23, 2008, to May 31, 2008, making the province the sixth most violent in Iraq.<sup>541</sup> Despite the relatively low level of attacks, the security situation is deteriorating,<sup>542</sup> and Coalition and Iraqi troops are still fighting insurgent groups. Car bombs and assassinations have been increasing as different ethnic groups vie for power ahead of provincial elections. Tameem is expected to achieve PIC by December 2008.<sup>543</sup>



# SALAH AL-DIN

CAPITAL: Tikrit

POPULATION:<sup>a</sup> 1.08 million

RELIGION:<sup>b</sup> 96% Sunni, 4% Shia

CAPITAL BUDGET:<sup>c</sup> \$150 million, 11% expended

U.S. PROJECTS:<sup>d</sup> 3,249

U.S. PROJECT COSTS:<sup>d</sup> \$814 million

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Al-Daur	Upgrade/Maintenance Gas Power Plant at Baiji	\$62.34	IRRF 2	1/1/2005
2	Baiji	Construct Baiji-Haditha 400kV Overhead Line	\$28.20	IRRF 2	7/31/2008
3	Baiji	Rehabilitate Boilers and Turbines in Baiji Power Plant	\$21.12	IRRF 1	8/31/2004
4	Tooz	Baghdad-Kirkuk 2D Carriageway-Northern Segment	\$15.38	IRRF 2	12/31/2008
5	Tooz	Baghdad-Kirkuk 2D Carriageway - Southern Segment	\$13.84	IRRF 2	12/31/2008

## SECURITY<sup>g</sup>

PIC DATE: January 2009

### AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	8.73	↓
February 23, 2008–May 31, 2008	6.28	

#### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008.

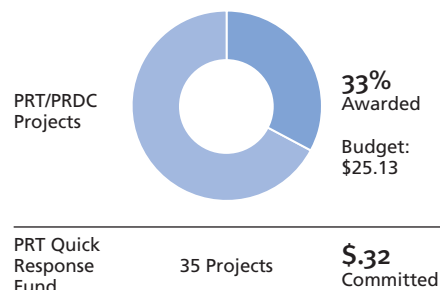
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008, and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

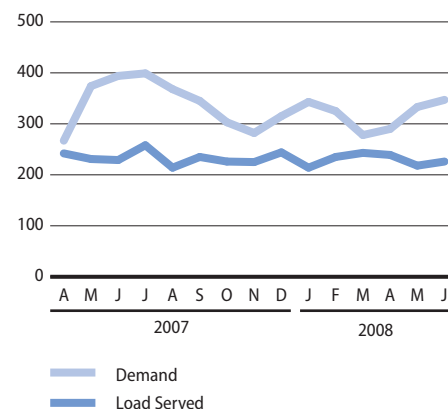
**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

SALAH AL-DIN ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)



## ECONOMY

The Salah Al-Din Provincial Development Strategy (PDS) establishes these general economic development goals:<sup>544</sup>

- Expand the cultivated area in the province.
- Fully exploit modern irrigation systems.
- Allocate asphalt factories to the directorate of road maintenance.
- Intensify monitoring at border cross points to stop agricultural smuggling.
- Build tourist facilities within relic sites.

This quarter, the **Iraqi-Based Industrial Zone (I-BIZ) Service Center** opened at Joint Base Balad. The opening of the center is one of several initiatives of the new I-BIZ program, which aims to provide local Iraqi entrepreneurs opportunities to grow their businesses on or near military bases. The service center will provide maintenance for non-tactical vehicles owned by Coalition forces. Additional I-BIZ plans for Balad

include a remanufacturing facility for shipping containers, retail facilities, and a vocational training center.<sup>545</sup>

USAID's **Agribusiness Program**, which was allocated \$92.5 million of the ESF, supports agricultural manufacturing in the city of Balad. Using a \$5 million grant from the program, the Balad Canning Factory restarted operations. When the revitalization is complete, the factory will employ up to 1,100 people and engage 100 wholesale suppliers and 60 wholesale buyers from Salah Al-Din, Diyala, Baghdad, Tameem, Kut, Hilla, Anbar, and Basrah.<sup>546</sup> The factory will have the capacity to process close to 20,000 tons of dates, tomatoes, sesame, wheat, and corn.<sup>547</sup>

## ESSENTIAL SERVICES

The PDS established these goals in the essential-service sectors:<sup>548</sup>

- Expand the access of public services to include villages.

## PROVINCE BACKGROUND

### GOVERNOR:

Hamad Hamood Shukti

### KEY FEATURES:

- Located in the middle of Iraq
- Climate ranges between dry and semi-dry

### ECONOMIC ACTIVITY:

- Rich in agriculture and natural resources, such as oil, gas, sulphur, and salt



Baiji Power Plant in Salah Al-Din.

- Extend road networks to all rural settlements and villages.
- Raise the standard of health in the province.
- Construct new laboratories and upgrade existing ones.
- Upgrade projects to comply with international standard specifications.
- re-introducing previously distant local leaders to the Provincial Council
- planning with the United Nations to convene a “Development of Samarra” conference
- escorting more than 20 women to Erbil to attend a women’s conference to focus on enhancing the ability of women to participate in provincial governments

The \$1.1 million **Baiji Villages Electrical Network** was completed this quarter. This ESF project accomplished construction of 32 km of 11-kV overhead electrical distribution lines to benefit approximately 35,000 local residents in the province.<sup>549</sup>

This quarter, the ESF Quick Response Fund supported the distribution of more than \$147,000 in medical textbooks for physicians across the province. The local PRT also helped to establish a local medical NGO to coordinate activities to improve medical conditions in the province.<sup>550</sup>

## GOVERNANCE

A recent PRT assessment rated Salah Al-Din’s governance capabilities at 3.0 (Sustaining) of a possible 5.0 (Self-reliant)—an improvement from the November 2007 assessment, which was reported as 2.0 (Developing). Nine provinces currently rank below Salah Al-Din.<sup>551</sup>

This quarter, the PRT in Salah Al-Din moved forward on several governance initiatives:<sup>552</sup>

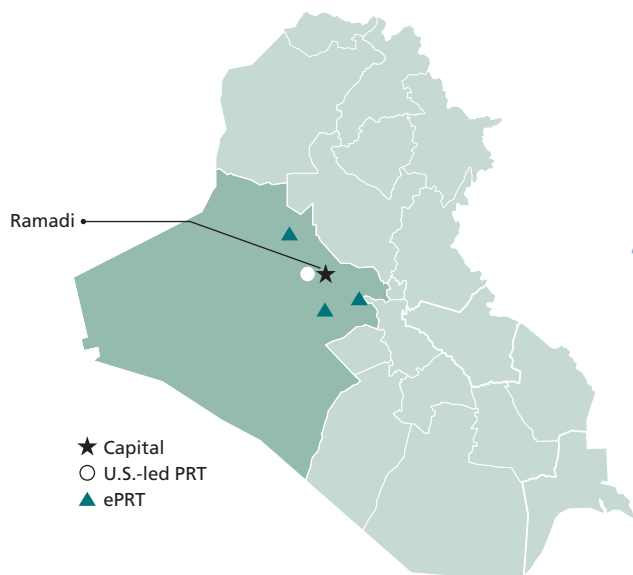
## SECURITY

In June 2008, DoD reported that Salah Al-Din was the third most violent province in Iraq, averaging more than six daily attacks.<sup>553</sup> However, attacks have fallen by 28% since last quarter.<sup>554</sup> The situation remains challenging, and military operations in neighboring Ninewa have created an uneasy security situation in northwestern parts of the province.<sup>555</sup>

Iraq’s Prime Minister has ordered an additional National Police Brigade to be established in the province to help meet these security challenges.<sup>556</sup> The Sons of Iraq also continue to provide protection at the neighborhood level.

In Tikrit, the United States funds an Iraqi-led reeducation and reintegration pilot program to help Sons of Iraq members transition from their current security teams to long-term employment when their service ends.

Salah Al-Din is expected to transition to Provincial Iraqi Control in early 2009.<sup>557</sup>



# ANBAR

CAPITAL: Ramadi

POPULATION:<sup>a</sup> 1.28 million

RELIGION:<sup>b</sup> 99% Sunni, 1% Shia

CAPITAL BUDGET:<sup>c</sup> \$192 million (expenditures not reported)

U.S. PROJECTS:<sup>d</sup> 7,139

U.S. PROJECT COSTS:<sup>d</sup> \$1.7 billion

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Falluja	Construct 1st Div. IA Base at Camp India	\$53.64	IRRF 2	Ongoing
2	Al-Ka'im	Construct 3rd BDE HQ and 1st BN, 3rd BDE/7th Div. at Al Qaim	\$42.38	ISFF	Ongoing
3	Ramadi	7th Div. HQ MTR and DTB at Camp Mejed	\$35.33	ISFF	Ongoing
4	Ramadi	Construct New 132kV Substation at Ramadi	\$30.98	IRRF 2	9/15/2008
5	Ramadi	Construct 1st BDE, 7th Div. HQ and 3 BNs at Ramadi	\$27.80	ISFF	Ongoing

## SECURITY<sup>g</sup>

PIC DATE: July 2008

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	2.37	↓
February 23, 2008–May 31, 2008	1.95	

**Sources:**

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008

<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

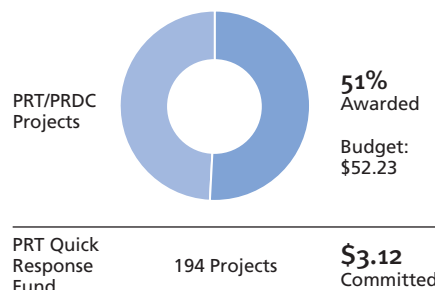
<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

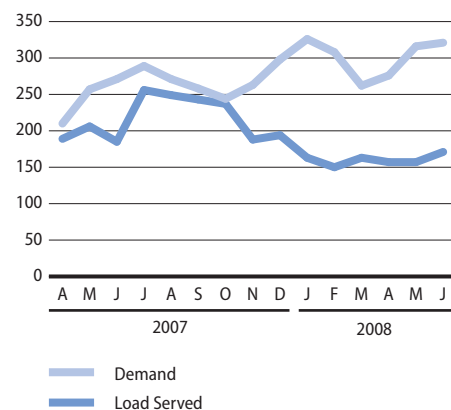
124 | SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

ANBAR ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)



## ECONOMY

Anbar is an industrial and agricultural province with diverse resources; however, its agriculture sector remains dependent on supplies of irrigation water because the province has an arid climate, with minimal rainfall.<sup>558</sup> These are some of the challenges to economic development noted in Anbar's Provincial Development Strategy (PDS):<sup>559</sup>

- obsolescence of technology
- limited number of banks and lack of sophisticated online banking
- lack of commercial centers
- weak private-sector participation

One of the goals of the Provincial Council is to increase the production of field crops. Supporting provincial farmers, USAID's **Inma Agribusiness Development Program** (ESF) provided improved, high-yield varieties of wheat and barley seed in 2007 and 2008 for planting on 1,500 acres. Harvest is completed, and Inma purchased 40% of the produce for further distribution to farmers in Anbar, Diyala, Babylon, and Baghdad

areas for the 2008-2009 planting season.<sup>560</sup>

The Iraq Transportation Network—an Iraqi-led contracted management company comprising tribally owned trucking companies—began operations in Anbar this quarter. The network will initially operate 80 trucks under a \$3.5 million contract, with expectations to increase the contract to \$7 million. The GOI hopes to use this network as a model for trucking services throughout Iraq.<sup>561</sup>

This quarter, a women's association in the province helped develop 38 small businesses through a PRT-sponsored, self-help economic program. The PRT provides micro-loans to civil society organizations, which in turn provide support to local businesses throughout the province. The \$1,000 micro-loans are supporting businesses ranging from convenience markets to clothing boutiques.<sup>562</sup> Moreover, access to banking services is expanding in Falluja, the largest city in the province. Al Warka Bank recently opened four branches in the city, extending savings and checking accounts to local residents.<sup>563</sup>

## PROVINCE BACKGROUND

### GOVERNOR:

Not Yet Selected

### KEY FEATURES:

- Largest province representing  $\frac{1}{3}$  of the area of Iraq
- Ranks 9th in population size
- Hot and dry climate
- Borders Syria, Jordan, and Saudi Arabia

### ECONOMIC ACTIVITY:

- Outputs include seeds, beans, and potatoes, palm groves, citrus and other fruits, animals and poultry, and glass and ceramics



## ESSENTIAL SERVICES

Challenges in the essential services sectors in Anbar province include the lack of electricity, non-investment of efficient water resources, and weak powers granted to the central services in the province. The PDS established these infrastructure goals for the province:<sup>564</sup>

- Build an advanced information system to address all the details of infrastructure in the province.
- Improve human resources and management of all details of services and infrastructure.
- Provide 80% of basic services within the next five years.

A large ongoing effort in Anbar province is a multi-phase \$85 million central wastewater treatment plant, which will serve Falluja's estimated 200,000 residents. GRD projects that this facility—the first of its kind in the province—will be sufficient to meet wastewater treatment needs until the city integrates its own system.<sup>565</sup> As of May 2008, the project was 45% complete.<sup>566</sup>

This quarter, the Iraq Republic Railway started moving crude oil from the Baiji Oil Refinery to the Haqlaniyah Train Station in Anbar. Crude oil will be pumped from the train station to the Haditha Oil Refinery, also in Anbar.<sup>567</sup> According to the PRT leader, privatization of fuel deliveries has resulted in a 300% increase in local fuel supplies and a 50% decline in fuel prices.<sup>568</sup>

## GOVERNANCE

A PRT assessment of February 29, 2008, rated Anbar's governance capabilities at 3.0 (Sustaining) of a possible 5.0 (Self-reliant). This is an improvement from the November 2007 assessment, when governance in the province was rated at 2.0 (Developing). Nine provinces currently rank below Anbar.<sup>569</sup>

With the assistance of PRT Anbar, the PC put together a strategic plan that includes a series of steps on how to improve local governance and address these problems:<sup>570</sup>

- Legislative and executive powers are unclear, and decisions of these governing bodies are not effectively detailed or applied.
- Several unofficial authorities operate in the province.
- Administrative and financial corruption must be curbed.
- The effects of media negligence must be counteracted.
- There is no central database of information necessary for efficient decision-making.

The PC is working on identifying the best mechanism to improve service delivery to the Anbar community, involving citizens in the decision making and conducting studies to set up future plans for the province.<sup>571</sup>

This quarter, the PC approved eight Planning and Sustainment projects as part of the PRT's ESF Provincial Reconstruction Development Committee (PRDC) programs. Priorities for the



Solar-powered pump provides drinking water for Iraqis in Falluja. (U.S. Embassy photo)

\$4.5 million budget include a master plan for irrigation, a feasibility study for a civilian airport in Habbaniyah, and a survey of Anbar's electrical system, as well as master plans for sewage and solid waste for the cities of Ramadi and Falluja.<sup>572</sup>

The Anbar PRT introduced a public-finance and project-management initiative at the PC meeting. The program envisions training for the PRDC, which was recently voted as a permanent PC committee, and the establishment of two new bodies—a Contracting Office and Project Coordination Office, which will maintain a project database.

## SECURITY

Once the most violent province in Iraq, Anbar has evolved since 2007 to become one of the more secure in the country. Daily attacks peaked in 2006, averaging more than 40 per day from August 12 to November 10. During the most recent reporting period—February 23–May 31, 2008—Anbar averaged slightly less than 2 attacks per day.<sup>573</sup> Several factors contributed to improvement of the security environment:

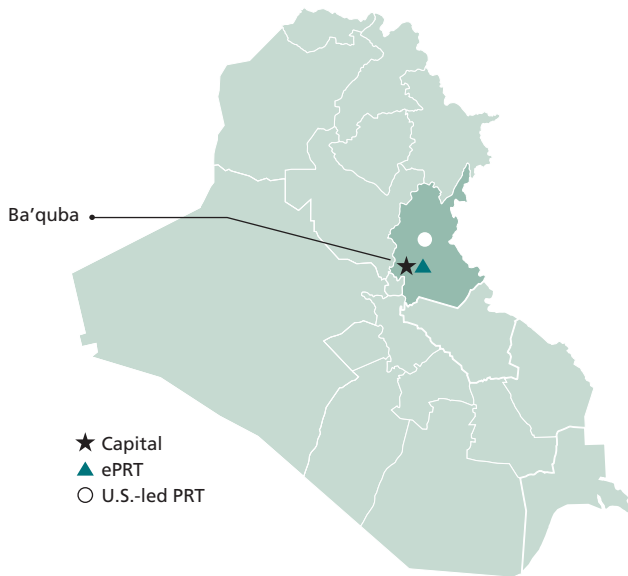
- The military surge in mid-2007 provided an influx of U.S. and Iraqi troops to fight al-Qaeda

and other insurgent elements in Baghdad and Anbar.

- The Anbar Awakening, begun in 2007, saw tribal leaders banding together to counter al-Qaeda's influence across the province.
- The Sons of Iraq, a product of the Awakening movement, introduced local groups of men, operating under the supervision of local police commanders, to act as a counterinsurgency force by patrolling their neighborhoods.

Anbar was expected to transition to Provincial Iraqi Control in July 2008.<sup>574</sup> Preparatory events for PIC included an MNF-West hosted the "Anbar Leadership Conference" at Camp Falluja, which was attended by senior provincial officials, mayors, Provincial Council members, and tribal sheiks. At the conference, Anbari leaders were briefed on the security situation and discussed a range of economic and reconstruction issues. Additionally, officials from the Ministries of Defense and Interior flew to Ramadi to discuss PIC issues.<sup>575</sup> However, the planned transition did not occur. According to the U.S. military, a sandstorm delayed the ceremony.<sup>576</sup>





# DIYALA

CAPITAL: Ba'quba

POPULATION:<sup>a</sup> 1.37 million

RELIGION:<sup>b</sup> 52% Sunni, 48% Shia

CAPITAL BUDGET:<sup>c</sup> \$168 million (expenditures not reported)

U.S. PROJECTS:<sup>d</sup> 3,074

U.S. PROJECT COSTS:<sup>d</sup> \$912 million

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Baladrooz	Design Balad Rooz Water Supply Project Phase #1	\$44.52	IRRF 2	7/20/2006
2	Ba'quba	Construct Kahn Bani Sa'ad Prison Facilities	\$40.50	IRRF 2	11/30/2007
3	Baladrooz	Renovate Iraqi Military College At Ar Rustamiyah	\$38.62	IRRF 2	8/26/2006
4	Ba'quba	Police Station—Diyala Operations Center	\$37.00	ISFF	8/16/2007
5	Khanaqin	Construct Facilities At Fob Normandy	\$35.20	ISFF	9/15/2008

## SECURITY<sup>g</sup>

PIC DATE: January 2009

### AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	5.26	↓
February 23, 2008–May 31, 2008	3.58	

#### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008; SIGIR PA-08-138, "Kahn Bani Sa'ad Correctional Facility," July 2008.

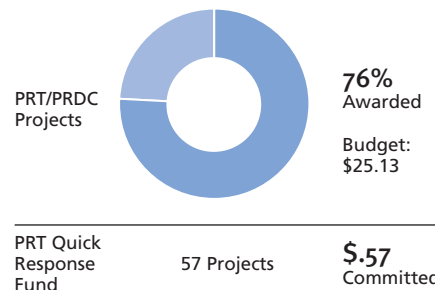
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008, and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

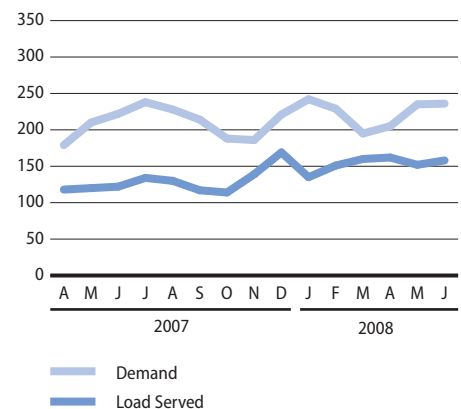
## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

### DIYALA ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND

Megawatts (MW)



## ECONOMY

These are some of the economic goals noted in Diyala's Provincial Development Strategy (PDS):<sup>577</sup>

- Reduce the number of people living below the poverty line by two-thirds.
- Abolish the state monopoly of the economy that hindered development in 2007.
- Provide Internet access and telephone services to citizens.
- Increase the number of families owning their homes to 90%.
- Improve the province's banking system through stronger support of the banks.

This quarter, Diyala's first automatic teller machine (ATM) opened in Ba'quba, the capital of the province. In recent quarters, the Al Warka Bank has increased its visibility and operations as a result of a restored cash flow into the province. The bank plans to install three more ATMs around the city and a new branch in Kahn Bani Sa'ad, a location that had long been considered too dangerous.<sup>578</sup>

Agriculture has been Diyala's main industry because of its proximity to two major water sources. However, the lack of precipitation has caused water shortages that are significantly affecting the agricultural sector and slowing recent economic gains from improved security.<sup>579</sup>

Growers in Diyala focus on date production, and large palm groves are being cultivated throughout the province.<sup>580</sup> This quarter, a PRT agricultural expert advised the GOI on a date spraying campaign, which resulted in treatment of nearly 13,000 acres with a 75%-80% success rate against the date-palm leafhopper.<sup>581</sup>

This quarter, the ESF Quick Response Fund allocated nearly \$98,000 to create a farm in Ba'quba that demonstrates new technologies for producing horticulture seedlings and using recycled plastic as mulch for fruit and vegetable production. These methods have the potential to increase production by 80%.<sup>582</sup>

## ESSENTIAL SERVICES

The PDS established these objectives for the essential services sectors:<sup>583</sup>

- **Water.** Ensure the widest possible coverage for safe drinking water and improve the sewer system to reach 50% of the population.
- **Health Care.** Ensure the widest possible coverage of health services and engage in vaccination campaigns.
- **Education.** Ensure completion of primary and secondary education for all children, working on increasing the rate of enrollment in first intermediate classes to 95% male and 90% female.

## PROVINCE BACKGROUND

**GOVERNOR:**  
Ra'ad Hamid Haris

**KEY FEATURES:**

- Located along the fertile tributaries of the Tigris River

**ECONOMIC ACTIVITY:**

- Main industry is date palm groves
- Also produces pomegranates, vegetables, fruits, grains, honey, and livestock

In Ba'quba, Diyala's first ATM is now in operation. (U.S. Embassy photo)



This quarter, work continued on the **Baladrooz Water Treatment Plant Power Supply** project in the village of Qadas Baladrooz. Funded by \$3.5 million of the IRRF, the project was reported 83% complete at the end of May. Once finished, the project's 132/33-kV power substation and 33-kV transmission line will provide power to the Baladrooz Water Treatment Plant, which supplies drinking water to 72,000 local residents.<sup>584</sup>

Work continued this quarter on the **Diyala-Nofal 33/11-kV Substation**. The \$3.3 million IRRF project includes the installation of switchgear, two transformers, and the construction of a new control building. Once complete, in July 2008, the project will provide reliable power to about 10,000 people in the city of Al-Muqadadiya.<sup>585</sup>

## GOVERNANCE

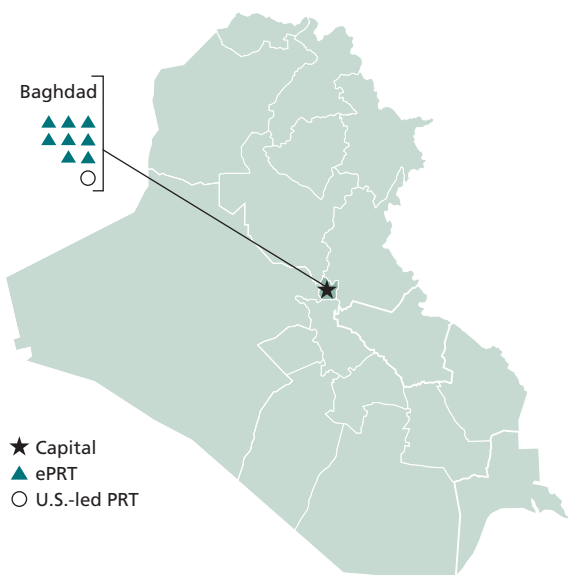
A PRT assessment of February 29, 2008, rated Diyala's governance capabilities at 3.0 (Sustaining) of a possible 5.0 (Self-reliant). This is an improvement from the November 2007 assessment. Nine provinces currently rank below Diyala.<sup>586</sup>

The Diyala PRT started a program to install computers and provide specialized software training to officials at the Diyala Government Center. This program aims to improve the province's government capacity and expedite budget execution.<sup>587</sup> With only limited success in executing funds 2006 and 2007, the Diyala government must now execute three budgets (2006, 2007, and 2008) simultaneously. The PRT has been assisting with this significant task.<sup>588</sup>

## SECURITY

In June 2008, Diyala was the fourth most violent province in Iraq, averaging more than 3.5 attacks each day.<sup>589</sup> Since 2007, violence has been declining, but there were a series of attacks this quarter by female suicide bombers. Diyala is now expected to achieve PIC status by January 2009.

On June 14, 2008, SIGIR inspected the **Kahn Bani Sa'ad Correctional Facility**. The contract was to construct a new secure prison facility to house 3,600 inmates. At the time of SIGIR's visit, the facility was neither secured nor occupied by the GOI. SIGIR noted numerous construction deficiencies and observed that the facility was in the same unfinished state when ownership was transferred to the GOI in August 2007. Moreover, the majority of \$1.2 million in materials—which were abandoned at the time of contract termination—was missing from the site. SIGIR recommended that the Commanding General of Multi-National Force-Iraq and the Director of the Iraq Transition Assistance Office work with the GOI to identify an Iraqi ministry or element of the Diyala Provincial Government that can make use of the facility.<sup>590</sup>



# BAGHDAD

POPULATION:<sup>a</sup> 6.39 million

RELIGION:<sup>b</sup> 20% Sunni, 80% Shia

CAPITAL BUDGET:<sup>c</sup> \$885 million, 2% expended

U.S. PROJECTS:<sup>d</sup> 17,153

U.S. PROJECT COSTS:<sup>d</sup> \$7.0 billion

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	N/A	Construct Qudas Power Plant Expansion	\$182.45	IRRF 2	12/31/2008
2	Karkh	Doura Power Plant Rehab Units 5&6	\$88.59	IRRF 1	6/15/2005
3	Karkh	Al Ameen 400kV Substation Rehab	\$61.57	IRRF 2	3/8/2005
4	Karkh	Construct Brigade IIF Compound at Rasheed	\$58.32	IRRF 2	11/21/2005
5	Baghdad International Airport	Construct 6th Div. Units at Old Muthanna Airfield	\$57.66	ISFF	3/2/2007

## SECURITY<sup>g</sup>

PIC DATE: May 2009

### AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	15.60	↑
February 23, 2008–May 31, 2008	24.02	

#### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008.

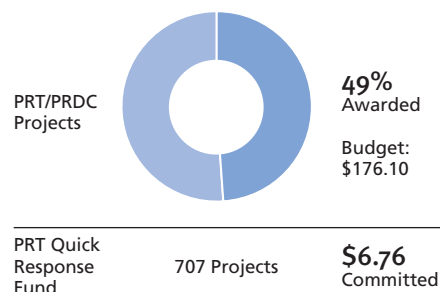
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<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

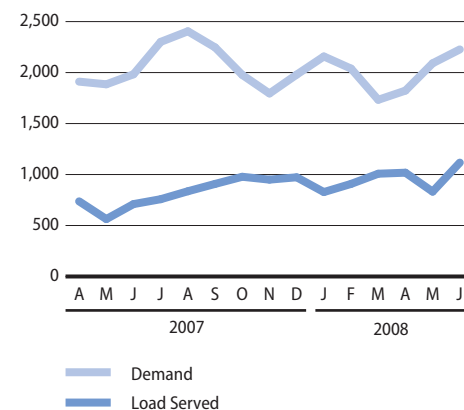
## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

### BAGHDAD ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND

Megawatts (MW)



## ECONOMY

Nearly 23% of Iraq's population resides in Baghdad province. Security improvements have resulted in economic gains that have allowed some agricultural products to thrive.<sup>591</sup> In its 2008-2012 Provincial Development Strategy (PDS), the Baghdad Provincial Council reports that the region has fertile soil, fit for cultivation; however, urbanization of the province and neglect has severely damaged potential agricultural activity.<sup>592</sup> The plan also highlights one of the most significant problems—failure to use modern methods in land reclamation and irrigation. The PDS established these goals for economic development in the province:<sup>593</sup>

- Establish a plan for land reclamation.
- Assist farmers to provide materials at subsidized prices.
- Rehabilitate and modernize industrial installations and plants.
- Promote Iraqi and foreign investment in the province.

## PROVINCE BACKGROUND

### GOVERNOR:

Husayn Muhammad Ali al-Tahan

### KEY FEATURES:

- Host to Iraq's capital city, it is the smallest of the 18 provinces, but largest in population

### ECONOMIC ACTIVITY:

- Produces dates, oranges, and olives

- Establish tourism facilities and distinguished tourist attractions.

Agricultural advisors in a Baghdad ePRT are providing technical and financial assistance to increase the production and efficiency of local fish hatcheries and fish-feed mills. Annual fingerling production in the area increased from less than 100,000 to greater than 500,000. With PRT assistance of \$85,000, fish farmers have re-established markets in Baghdad.<sup>594</sup>

Improved security and increased access to financing have allowed some businesses in southern Baghdad to reemerge. With the assistance of a series of \$2,500 small-business grants and improved security conditions, local businesses have begun reinvesting in the community.<sup>595</sup>

The ePRTs in Baghdad are focusing on providing micro-grants for business development. Of the micro-grant proposals submitted, 60% were recommended for fulfillment, based on budget availability, and 15% were recommended for short-term fulfillment. Moreover, two micro-lending sources opened in the Rashid district this quarter.<sup>596</sup>

## ESSENTIAL SERVICES

The PDS established these priorities for the essential services sectors:<sup>597</sup>

- **Electricity.** Establish new power generation stations, provide spare parts for existing power stations, develop programs for alternatives to power generation, ensure equitable distribution of power sharing for Baghdad, provide fuel needed to operate stations, and provide security protection for electricity infrastructure.

- **Water.** Build new water filtration systems, extend potable water networks to new neighborhoods, install new pumping stations, and construct water compact units for areas on the edges of Baghdad.
- **Health Care.** Build and modernize hospitals, build medicine factories, provide medicines imported from international companies, and develop test centers for serious diseases.
- **Education.** Increase the number of schools, reintroduce a food program for primary and middle schools, modernize school equipment and curricula, and improve the standard of living for teachers.

About 75% of the homes and businesses in Baghdad are connected to electrical distribution lines.<sup>598</sup> This quarter, the **Al-Rasheed 400-kV substation** was energized on May 28, 2008, and the Ministry of Electricity completed a new 400-kV transmission line to the station. This line, which connects local residents directly to the national grid, translates into a 30-40% increase in the hours of power provided per day.<sup>599</sup>

Following its completion, by the end of 2008, the **Qudas Gas Turbine Expansion** project will provide power to an additional 180,000 homes on the Baghdad/Anbar grid.<sup>600</sup> Just more than \$161 million has been obligated on this project, and nearly 82% has been expended. The project will provide two new gas turbines capable of producing 90 MW each.<sup>601</sup> For more information on distributing power to Baghdad, see discussion of the *Ministry of Electricity* in Section 2b.

Only about 30% of Baghdad homes and businesses are connected to water distribution lines.<sup>602</sup>

This quarter, the Community Action Program (CAP) staff reported that a severe water shortage in Sadr City affected thousands of families. To provide relief, the CAP distributed more than 16,000 cases of water to 10 sectors of Sadr City.<sup>603</sup>

Ten new CERP water projects were started this quarter under a combined budget of \$2.6 million. The largest project is a water pipe in the Mada'in district, valued at \$1.9 million.<sup>604</sup>

This quarter, several large water projects funded by the IRRF neared completion:

- The \$1.2 million **Al Doura M826 Water Network** was expected to be completed by the end of June 2008.<sup>605</sup> This IRRF project provides a pipe system and valves connecting 1,150 businesses and homes, and the network supports the distribution of water to approximately 15,000 Baghdad residences.
- Another large IRRF project, the rehabilitation of the **Kamaliya Water and Sewer system** was also completed this quarter. Begun in February 2005, the \$30.5 million IRRF water-systems network serves an estimated 100,000 residents in the Nissan neighborhood.<sup>606</sup>
- A \$6.9 million project to augment the water system nears completion. In addition to constructing and overhauling **Sadr City R3 Water Treatment Plant**, this project will provide maintenance for the water treatment facility, which was begun in December 2006. More than 18,000 residents of Sadr City and Abu Nuwass will benefit.





Shark Dijla Water Treatment Plant along Tigris River in northern Baghdad.

In Baghdad, work continued on the construction of a new elementary school in the Al-Resafa district in Baghdad. Funded by nearly \$940,000 of the ESF, the project is to design and construct a new **18-classroom elementary school**, including a security wall around the property. The estimated completion date is July 31, 2008.<sup>607</sup>

## GOVERNANCE

A recent PRT assessment of February, 29, 2008, rated Baghdad's governance capabilities at 2.0 (Developing) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Seven provinces are ranked above Baghdad and one below.<sup>608</sup>

PRTs reported that many of displaced families have returned to their homes because of improved security and reduced violence in Sadr City. The Saydeia support council reported the return of 25–30 displaced families per day throughout May 2008. Recent reports note that about 1,200 families have returned to Saydeia since February 2008.<sup>609</sup>

The Baghdad PRT used the ESF Quick Response Fund (\$200,000) for the dissemination of TV programs that support Coalition objectives

and for the support of the Dijla Satellite TV programming as an independent, non-partisan, and non-sectarian medial outlet. This project aims to encourage the return of internally displaced persons (IDPs) and to educate Iraqis about their country and political institutions.

## SECURITY

Baghdad is expected to achieve Provincial Iraqi Control in May 2009, but it continues to sustain more attacks than any other province in Iraq, averaging 24 each day.<sup>610</sup> In early May 2008, the Iraqi Security Forces and U.S. troops battled militants in Sadr City until the Sadrists called a ceasefire on May 11, 2008.<sup>611</sup> ISF and Coalition efforts served to diminish the capabilities of the indirect fire and rocket-propelled grenade launchers from Sadr City that were hitting the International Zone and other parts of Baghdad.<sup>612</sup>

Despite the ceasefire, violence continues. In late June 2008, a Baghdad ePRT staff member, two DoD civilian employees, and two military soldiers were killed in an explosion in Sadr City.<sup>613</sup>



# WASSIT

CAPITAL: Kut

POPULATION:<sup>a</sup> 941,800

RELIGION:<sup>b</sup> 100% Shia

CAPITAL BUDGET:<sup>c</sup> \$137 million, 0.2% expended

U.S. PROJECTS:<sup>d</sup> 1,404

U.S. PROJECT COSTS:<sup>d</sup> \$452 million

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Al-Na'maniya	An Numinayah Military Base (Anmb) Phase I Part A	\$64.24	IRRF 2	10/31/2004
2	Al-Na'maniya	An Numinayah Military Base (Anmb) Phase I Part B	\$34.39	IRRF 2	4/23/2005
3	Al-Na'maniya	An Numinayah Military Base (Anmb) Phase I Part B	\$19.52	IRRF 2	4/13/2005
4	Kut	Al Kut Academy Expansion	\$17.56	IRRF 2	12/5/2006
5	Al-Suwaira	Construct Facilities For 1/1/8 At Diwaniyah	\$14.32	ISFF	9/27/2007

## SECURITY<sup>g</sup>

PIC DATE: November 2008

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	.23	↑
February 23, 2008–May 31, 2008	.57	

### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.

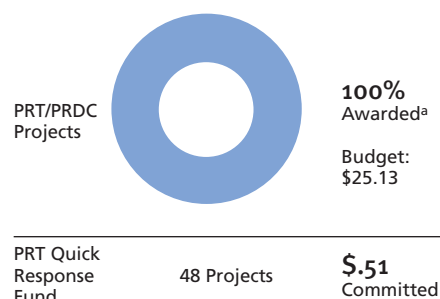
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008. PRT awards exceeded budget by 3%.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

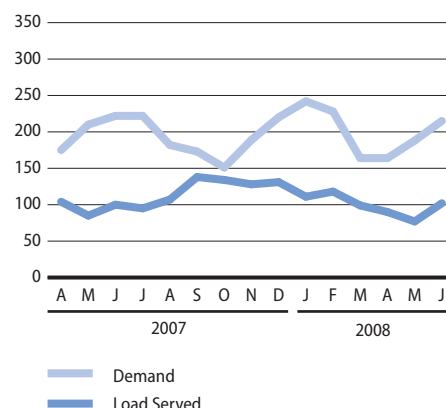
**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

WASSIT ELECTRICITY—AVERAGE DAILY  
LOAD SERVED AND DEMAND  
Megawatts (MW)





## ECONOMY

Wassit's Provincial Development Strategy (PDS) noted that the province "has natural resources such as reserves of natural gas and oil, which are not being exploited due to the central government, the province's lack of authority to exploit these resources, a slow reconstruction process, and the lack of participation by international investment companies."<sup>614</sup> However, it is the sole source of gravel for the south-central region of Iraq.

This quarter, the cost of **Capital Partial Reduction Pilot Program** was approved. Through this program, PRT Wassit will be able to provide small grants to lower the effective rate of interest on loans made by the Iraqi Company for Bank Guarantees (ICBG) in the province. The PRT used the ESF Quick Response Fund to award small grants to medium-sized businesses borrowing money from the ICBG. The \$100,000 grant will facilitate the purchase of approximately 75 new, locally assembled tractors for Wassit farmers.<sup>615</sup> One of the goals noted in the provincial development strategy was to expand the farmers loan program.<sup>616</sup>

## ESSENTIAL SERVICES

The Wassit PDS establishes these objectives for developing essential services:

- **Water.** Improve the quality of drinking water, reduce water losses, establish sewage treatment plants, and construct a sewer stormwater system.
- **Education.** Allocate land for building schools, increase the number of students attending high schools, ensure the attendance of all boys (age 6-12 years) in elementary schools, and establish education departments.
- **Health Care.** Build hospitals and health centers, including residences for medical staff, and open and operate a training facility for physicians.

This quarter, work on the **Stream Sewage Net Kut City** project continued. This \$1 million, ESF project provides for the design and installation of 3,920 linear meters of sewage lines in Kut. The project is 87% complete.<sup>617</sup> Also in Kut, the Al Hawra/Kut City Sewer Project, funded by \$0.9 million of the ESF, installed approximately 2,955 linear meters of pipe. Other completed projects include the design and construction of two

## PROVINCE BACKGROUND

### GOVERNOR:

Latif Hamad Turfa

### KEY FEATURES:

- Centrally located in the country
- Easily accessible for trade around Iraq and with Iran

### ECONOMIC ACTIVITY:

- Sole source of gravel in south-central region of Iraq
- Large grain producer with oil reserves



Newly completed  
Sheikh Sa'ad  
Bridge in Wassit.  
(USACE photo)

compact-unit water treatment plants (50 cubic meters/hour). The unit at Al Jazaer Village was funded with \$0.4 million of the ESF, and another, at Abed Al-Rehdad Al-Bender, was budgeted \$0.7 million.<sup>618</sup>

## GOVERNANCE

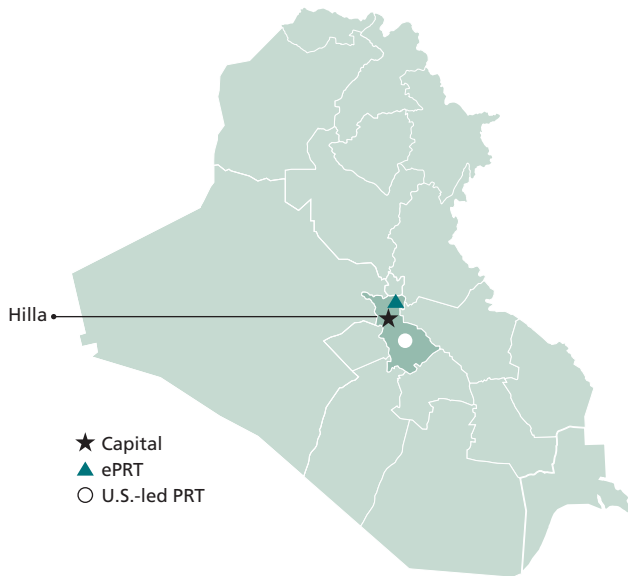
A recent PRT assessment of February 29, 2008, rated Wassit's governance capabilities at 2.0 (Developing) of a possible 5.0 (Self-reliant)—an improvement from the November 2007 assessment. Seven provinces are ranked above Wassit and one below.<sup>619</sup>

As of the end of April 2008, Iraqi officials in Wassit province learned that PRTs have spent more than \$38 million on capacity-building projects in the province since January 2007. This quarter, a briefing between the Coalition forces and Wassit officials included an overview of

the money spent from 2003 through 2006 and a detailed look at the more recently completed projects.<sup>620</sup>

## SECURITY

Wassit is Iraq's ninth most violent province, averaging between two or three attacks each week.<sup>621</sup> It is expected to achieve Provincial Iraqi Control in November 2008.<sup>622</sup> However, militant elements remained entrenched in the province,<sup>623</sup> and improvised explosives have been used in some recent attacks, and a curfew remains in effect in the province's center to safeguard the local population.<sup>624</sup>



# BABYLON

CAPITAL: Hilla

POPULATION:<sup>a</sup> 1.44 million

RELIGION:<sup>b</sup> 5% Sunni, 95% Shia

CAPITAL BUDGET:<sup>c</sup> \$206 million, 3% expended

U.S. PROJECTS:<sup>d</sup> 2,178

U.S. PROJECT COSTS:<sup>d</sup> \$433 million

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Hashimiya	Hilla South—Hashemiya 132kV Overhead Line Rehab	\$29.45	IRRF 2	2/15/2008
2	Al-Mahawil	Construct Courthouse at Al Hillah	\$7.65	IRRF 2	11/17/2008
3	Al-Musayab	Babil 33kV Feeders	\$6.96	IRRF 2	10/15/2007
4	Al-Mahawil	Al Thawra Substation	\$6.85	IRRF 2	10/10/2005
5	Al-Mahawil	Al Talayee Substation	\$6.40	IRRF 2	10/26/2005

## SECURITY<sup>g</sup>

PIC DATE: November 2008

### AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	.57	↑
February 23, 2008–May 31, 2008	.73	

#### Sources:

<sup>a</sup> UNOCHA, "Iraq—Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, [www.iom-iraq.net](http://www.iom-iraq.net).

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.

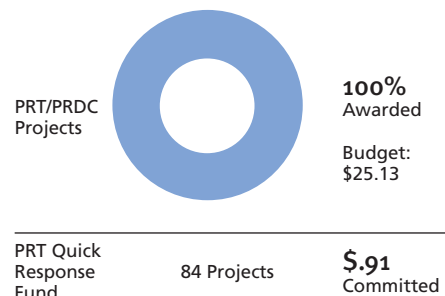
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008. PRT awards exceeded budget by 19%.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

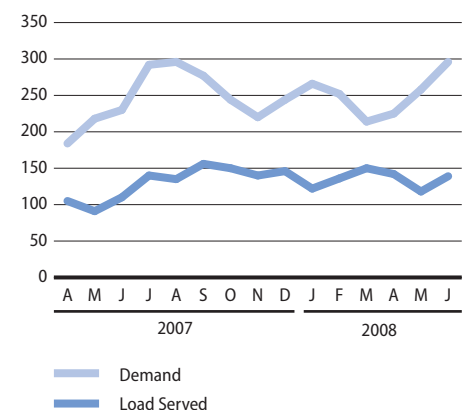
## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

### BABYLON ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND

Megawatts (MW)



## ECONOMY

The gross domestic product for Babylon province is about \$40 million, and 42% is generated from agricultural production.<sup>625</sup> The Provincial Development Strategy (PDS) establishes these economic development goals:<sup>626</sup>

- Increase province food stuff industries.
- Use industry best practices to combat crop pests.
- Encourage the private sector's role in tourism to create new jobs.
- Provide the province with industrial products instead of exporting them.
- Develop industries that use raw materials available in the province.

According to its Provincial Council, Babylon is one of the most agriculturally advanced provinces in Iraq because of its arable land and access to irrigation water. Supporting the resurrection of one of the province's most prominent crops, the PRT in Babylon donated 1,000 date palms this quarter.<sup>627</sup>

Agricultural advisors with the PRT are working with Iraqi farming associations, the GOI, and USAID's Inma program to upgrade production and advance the value chain for fish farmers and hatcheries in the province. The Euphrates Fish Company has benefited from this support, producing 12 million carp fingerlings this year. Inma purchased 6 million fingerlings and distributed them to the 98 fish farms in the Babylon and North Babylon areas in June and July 2008.<sup>628</sup> Several additional activities are supporting the province's aquacultural sector:<sup>629</sup>

- The PRT used an ESF Quick Response Fund (QRF) grant of \$11,000 to further develop the Iraqi Society for Fish Production.
- Another \$7,500 of the QRF paid for the services of a fish-farming expert and for the rental of fish ponds to facilitate the distribution of 6 million carp fingerlings to local farmers. The fingerlings will produce 12,000 pounds of fish, worth nearly \$80 million.
- The local Brigade Combat Team is also supporting the development of fish farming

## PROVINCE BACKGROUND

### GOVERNOR:

Salim Salih Mahdi

### KEY FEATURES:

- Center for religious tourism
- Possesses antiquities dating back to prehistoric times
- City of Hilla is one of the ancient Iraqi cities, established in 1100 AD

### ECONOMIC ACTIVITY:

- Produces dates as well as yellow maize, legumes, vegetables, and fruits

through CERP micro-grants. New fish farms in the province will potentially add at least 5,000 local employment opportunities. As of April 23, 2008, 65 fish farmers in the province had received \$59,000 in micro-grants.<sup>630</sup>

## ESSENTIAL SERVICES

The quantity of potable water supplied in Babylon province does not meet the needs of the residents, with a shortfall of nearly 255,000 cubic meters per day.<sup>631</sup> More than 17% of the province's schools are without water, and 7% are without electricity.<sup>632</sup> These are some of the challenges in the delivery of essential services noted in Babylon's provincial development strategy:

- **Electricity.** The electricity network has aged considerably, poor distribution of power among the provinces continues, and demand continues to outstrip supply.
- **Water.** Drainage at water treatment stations continues to be inadequate, ground water continues to rise, water networks are aging, there are not enough new water networks to address shortages, and the growth of parasites in water networks and tanks continues.
- **Health Care.** There are not sufficient numbers of specialized hospitals equipped with modern equipment, medical labs are not properly coordinating with the Ministry of Health,

medications imported by the private sector do not comply with regulations, and central planning is weak.

The \$400,000 **Al Kifil Primary Healthcare Center**, funded by the IRRF, was anticipated to be completed; turnover to the Iraqi Ministry of Health is forthcoming.<sup>633</sup> As of May 30, 2008, the facility was 98% complete.

Work also continued on the **Mussayib Power Plant** this quarter. The U.S. project will provide about 20,000 barrels of diesel per day to fuel the operations of electricity generating units at the plant. The completed plant is expected to provide 400 MW of electricity, which is sufficient to serve about 360,000 households. This project should also increase the reliability of sustained power on the Baghdad Ring.<sup>634</sup>

Ongoing projects in the province include the following:

- a four-lane road, funded by \$4.2 million of the IRRF
- Hilla Medical and Children's Hospital Re-Award, funded by \$2.8 million of the IRRF
- Al-Musayab Maternity (OB/PED) Hospital, funded by \$5 million of the ESF

All of these projects are estimated to be completed in the third quarter of CY 2008.<sup>635</sup>

## GOVERNANCE

A PRT assessment of February 29, 2008, rated Babylon's governance capabilities at 2.0 (Developing) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Seven provinces are ranked above Babylon and one below.<sup>636</sup>

In April 2008, the Babylon PRT began a tree-planting campaign with a ceremony that took place in the garden of the Regional Embassy Office.<sup>637</sup> This event also commemorated Iraq's National Tree Planting Day, which is March 21<sup>st</sup>. Attendees included the Provincial Council chairman, deputy governor, and several directors general. Provincial Council members and many civic leaders from local agriculture and women's organizations also attended the ceremony.<sup>638</sup>

## SECURITY

Babylon ranks eighth highest among the provinces for frequency of attacks, averaging nearly one attack every day during this quarter.<sup>639</sup> The province is expected to be transferred to Provincial Iraqi Control by November 2008. This quarter, joint patrols by Iraqi Security Forces and Coalition troops have provided sufficient protection to allow delivery of aid and crop fumigation by the GOI.<sup>640</sup>



View of Hilla's ruins.





# QADISSIYA

CAPITAL: Diwaniya

POPULATION:<sup>a</sup> 866,700

RELIGION:<sup>b</sup> 100% Shia

CAPITAL BUDGET:<sup>c</sup> \$137 million, 0% expended

U.S. PROJECTS:<sup>d</sup> 1,450

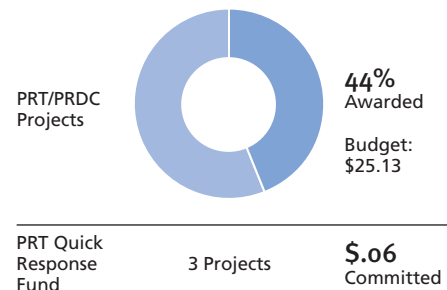
U.S. PROJECT COSTS:<sup>d</sup> \$312 million

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Diwaniya	Construct New Diwaniyah 132kV Substation	\$26.18	IRRF 2	8/25/2008
2	Diwaniya	Al Diwaniyah—Al Samawah 2D Carriageway	\$16.61	IRRF 2	8/30/2008
3	Al-Shamiya	Rehab Hashemiya—Shamiyah 132kV Overhead Line	\$14.73	IRRF 2	2/15/2008
4	Diwaniya	Construct 33kV Feeders at Kut	\$6.14	IRRF 2	11/9/2007
5	Diwaniya	Al Diwaniyah Maternity & Childrens Hospital	\$4.39	IRRF 2	4/22/2006

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## SECURITY<sup>g</sup>

PIC DATE: July 2008

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	.08	↑
February 23, 2008–May 31, 2008	.18	

### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

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<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

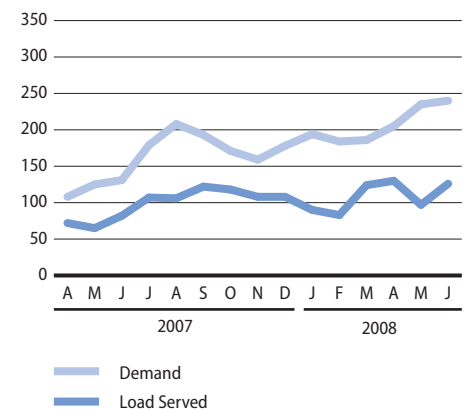
<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against Coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

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**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## ESSENTIAL SERVICES<sup>h</sup>

QADISSIYA ELECTRICITY—AVERAGE DAILY  
LOAD SERVED AND DEMAND  
Megawatts (MW)



## ECONOMY

Agriculture contributes 47% of the gross domestic product in the Qadissiya province. According to the province's development strategy, the agricultural sector faces many problems, including a lack of chemical fertilizers and machines. Also, the agricultural products of neighboring countries compete with local markets.<sup>641</sup>

In its Provincial Development Strategy (PDS), the provincial council noted these challenges to economic development in the province:<sup>642</sup>

- The province is not self-sufficient; it relies on imports.
- Industrial plants are old and in need of refurbishment.
- Unemployment is high.
- Prices are rising out of pace with salaries.
- Corruption is still an influential force.

This quarter, construction continued on the resurfacing of 84 kilometers of road in the province. GRD is providing quality-assurance support

on this GOI project, which is supported by a U.S.-Iraq grant program. The project was funded by \$6.2 million of the IRRF as well. Although the estimated completion date is August 30, 2008, the project has stopped for no apparent reason, and there is no equipment on site. The project is currently 42% complete.<sup>643</sup>

## ESSENTIAL SERVICES

The first new healthcare clinic in 25 years opened in Qadissiya province this quarter. The \$1.5 million project employs about 50 Iraqis and will serve the 20,000 residents in the province's capital, Diwaniya. This completed IRRF project is one of seven clinics being constructed in the province.<sup>644</sup>

Notwithstanding this progress, the PDS noted that existing essential-services projects are not sufficient to meet these challenges:<sup>645</sup>

- There is no specific mechanism for trash removal.
- The province lacks specialized hospitals.

## PROVINCE BACKGROUND

### GOVERNOR:

Hamid Musaa

### KEY FEATURES:

- Host to more than 300 ruin sites and 600 antiquities as well as religious shrines

### ECONOMIC ACTIVITY:

- Agriculture is the dominant sector
- Famous for cultivating rice, barley, and melons





Produce stand in Qadissiya's Diwaniya Market. (USACE photo)

- Neighboring countries may reduce the province's share of water.
- Power and oil have yet to be sufficiently shared.

## GOVERNANCE

A recent PRT assessment of February 29, 2008, rated Qadissiya governance capabilities at 2.0 (Developing) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Seven provinces are ranked above Qadissiya and one below.<sup>646</sup>

This quarter, Qadissiya's Provincial Council spokesman protested the current budget allotment provided to Qadissiya from the central government. The spokesman stated that the allocation did not take into account the province's economic contribution or recent population growth in the area.<sup>647</sup>

In its PDS, the Provincial Council in the province outlined several key initiatives for improving the quality of life for its residents.<sup>648</sup>

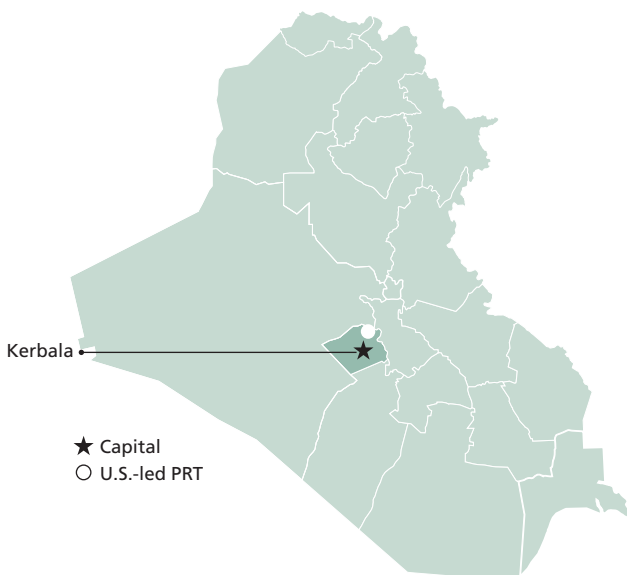
- Prepare a long-term vision.
- Strengthen local leadership.

- Prepare the mechanism for local shareholders to assess the links between their priorities in the areas of health, security, employment, housing, education, transport and environment.

The sustainability and effectiveness of the PDS depends largely on the active participation of the senior officials of the local government and representatives of the local council. The PC noted that unless its strategy is adopted within the municipal budget and the annual funding strategy, it will remain only a document.

## SECURITY

The PDS noted that one of the threats to growth is the impact of Iraq's overall security situation on Qadissiya.<sup>140</sup> MNF-I reported that there were nearly 18 attacks between February 23, 2008, and May 31, 2008.<sup>141</sup> In mid-July 2008, Qadissiya became the tenth province to be handed over to Provincial Iraqi Control.



# KERBALA

CAPITAL: Kerbala

POPULATION:<sup>a</sup> 756,000

RELIGION:<sup>b</sup> 100% Shia

CAPITAL BUDGET:<sup>c</sup> \$170 million, 4% expended

U.S. PROJECTS:<sup>d</sup> 710

U.S. PROJECT COSTS:<sup>d</sup> \$192 million

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Kerbala	Rehab Babylon-Kerbala 132kV Overhead Line	\$10.47	IRRF 2	4/30/2008
2	Kerbala	Kerbala Wastewater Treatment Plant Refurbishment	\$7.52	IRRF 2	9/24/2006
3	Al-Hindiya	Construct L.V. Network-Bab Al-Khan	\$5.96	IRRF 2	12/30/2007
4	Kerbala	Construct 33kv Feeders in Kerbala	\$4.96	IRRF 2	11/30/2006
5	Kerbala	Power Plant Maintenance Program	\$4.72	IRRF 2	3/31/2007

## SECURITY<sup>g</sup>

PIC DATE: October 2007

### AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	.02	↑
February 23, 2008–May 31, 2008	.06	

#### Sources:

<sup>a</sup>UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup>IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup>Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup>IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup>IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008.

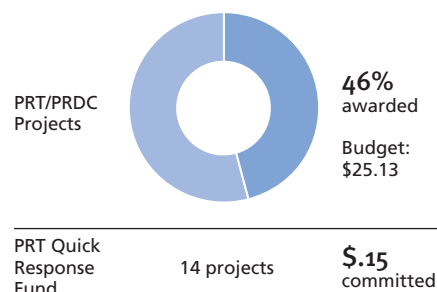
<sup>f</sup>ITAO, response to SIGIR Data Call, June 29, 2008.

<sup>g</sup>MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against coalition, ISF, civilians, Iraqi infrastructure and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup>ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

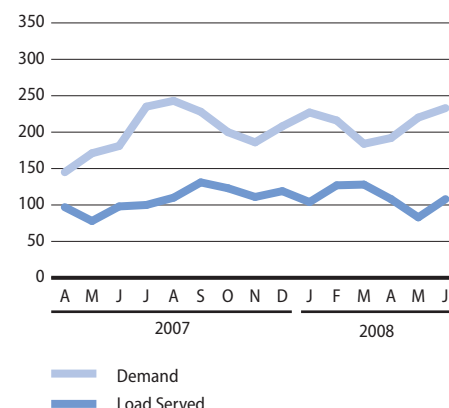
**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

KERBALA ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)



## ECONOMY

Tourism accounts for 37% of Kerbala's gross domestic product. Trade accounts for 25%, and agriculture for 15%.<sup>649</sup> Kerbala's Provincial Development Strategy (PDS) outlines several goals for economic development, including:<sup>650</sup>

- Develop the local economy to increase employment opportunities.
- Broaden the range of services.
- Continue to sustain alleviation of poverty levels.

The PRT in Kerbala has been engaging leaders in the province's tourism industry. The PRT continues to study the influence of religious tourism, visiting the ruins of Al-Aqiser Church (500 AD) and the fortress of Al Khaydhar this quarter with the local mayor and Provincial Council.<sup>651</sup>

## ESSENTIAL SERVICES

The PDS noted these challenges in the essential services sectors:<sup>652</sup>

- **Electricity.** Frequent power loss is caused by the encroachment on emergency lines and the electric grid, as well as encroachment on several regular power lines.
- **Municipalities.** High sewage levels impede paving projects, and because communications cables are buried too close to road pavements, digging interrupts service.
- **Water.** Water shortages continue to plague the province.

Work on the **Al Hussain Water Network** continued this quarter. As of the end of May 2008, the project was 75% complete. Once finished, this \$2.7 million ESF project to design and install a new water main and network will serve 6,000 residents in the Al Hussain neighborhood of Kerbala.<sup>653</sup>

## PROVINCE BACKGROUND

### GOVERNOR:

Dr. Aqeel Mahud Kareem al-Khaza'li

### KEY FEATURES:

- Capital is one of the most prominent Islamic cultural cities in Iraq, drawing Shiite Muslim pilgrims from Iran, Afghanistan, and Pakistan to the shrine of Imam Al-Hussein—a heavily revered figure in Shiite Islam—and his brother, Al-Abbas

### ECONOMIC ACTIVITY:

- Famous for date palm orchards



Kerbala celebration. (USACE photo)

Electricity availability remains a challenge in the province. This quarter, the average percentage of unmet demand was nearly 54%—the second highest quarterly average among the provinces (Sulaymaniyah experienced the highest).<sup>654</sup> Access to electricity was expected to be improved this quarter with the scheduled completion of the **Al-Muthana Al-Joan electricity distribution network**. This \$700,000 CERP project was to engineer, design, test, and place in service the equipment and material required to complete a new power distribution system.<sup>655</sup> The project was 98% complete as of the end of April 2008.<sup>656</sup>

## GOVERNANCE

A PRT assessment of February 29, 2008, rated Kerbala's governance capabilities at 2.0 (Developing) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Seven provinces are ranked above Kerbala and one below.<sup>657</sup>

This quarter, a new PRT was established in Kerbala province.<sup>658</sup> The U.S. Ambassador traveled to Kerbala to attend opening ceremonies for the new PRT.

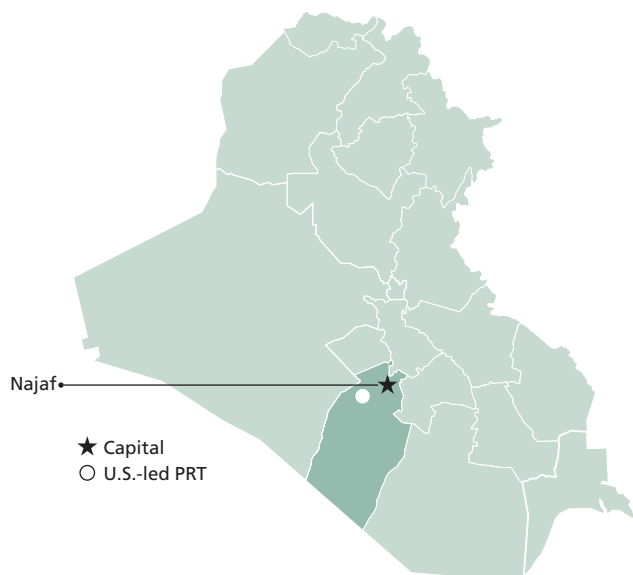
The **Kerbala Women's Coalition Center** received \$14,362 from the ESF's Quick Response Fund to consolidate the efforts of several independent NGO women's initiatives. The first of

its kind, the Center is meant to draw organizations together to work for women's rights and family issues not only in Kerbala, but across Iraq. The key objective of the coalition is to raise public awareness for human rights and different levels of democracy, with a focus on the rights of women and children.<sup>659</sup>

## SECURITY

Kerbala achieved Provincial Iraqi Control (PIC) in October 2007. The province has consistently registered one of the lowest rates of violence among the provinces, averaging less than one reported attack every two weeks.<sup>660</sup> However, surveys of local attitudes about personal safety appear to contrast with the relative state of security. A recent DoD nationwide poll indicated that less than 50% of those surveyed in Kerbala felt safe in their neighborhoods, and less than 30% felt safe traveling outside of their neighborhoods.<sup>661</sup>

According to PRT representatives, security has improved, and the Iraqi Security Forces (ISF) have been waging a "steady campaign against armed militias."<sup>662</sup> U.S. military advisory teams and ministerial assistance have also contributed to improved ISF coordination.<sup>663</sup> The PRT has been able to travel safely, and members feel welcome at the locations they visit.<sup>664</sup>



# NAJAF

CAPITAL: **Najaf**

POPULATION:<sup>a</sup> **946,300**

RELIGION:<sup>b</sup> **100% Shia**

CAPITAL BUDGET:<sup>c</sup> **\$150 million, 13% expended**

U.S. PROJECTS:<sup>d</sup> **1,153**

U.S. PROJECT COSTS:<sup>d</sup> **\$272 million**

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Najaf	Construct Meshkab Water Supply Project	<b>\$23.53</b>	IRRF 2	4/7/2009
2	Najaf	Construct New Ghammas 132kV Substation	<b>\$14.70</b>	IRRF 2	3/31/2009
3	Najaf	Construct 1/8 HQ And 2/1/8 At Najaf	<b>\$12.13</b>	ISFF	11/10/2007
4	Najaf	Najaf Teaching Hospital—Phase 3	<b>\$10.82</b>	IRRF 2	7/25/2007
5	Kufa	Kufa 3D Bridge (350 M) Construction	<b>\$6.58</b>	IRRF 2	8/30/2008

## SECURITY<sup>g</sup>

PIC DATE: **December 2006**

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	<b>0</b>	↑
February 23, 2008–May 31, 2008	<b>.03</b>	

**Sources:**

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, [www.iom-iraq.net](http://www.iom-iraq.net).

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.

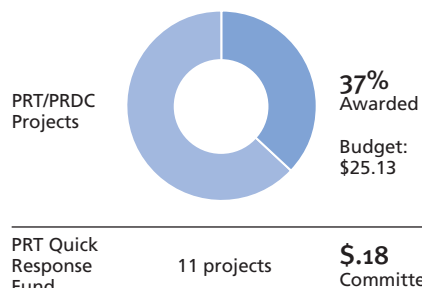
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against coalition, ISF, civilians, Iraqi infrastructure and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

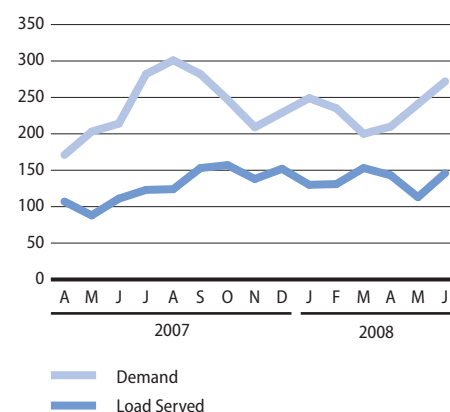
**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

NAJAF ELECTRICITY—AVERAGE DAILY  
LOAD SERVED AND DEMAND  
Megawatts (MW)



## ECONOMY

Najaf is a religious center, and economic activity in the province is largely related to religious tourism—accounting for 30% of the province’s GDP. Trade accounts for 20% of the GDP, and agriculture 15%.<sup>665</sup> These are some of the economic challenges noted in Najaf’s Provincial Development Strategy (PDS):<sup>666</sup>

- weak infrastructure and a clear aversion to improve it, particularly for electricity, road construction, and bridges
- official laws that restrict contribution by the private sector
- improper exploitation of farmlands, despite the existence of suitable arable land
- need for an airport

This quarter, \$100,000 of the ESF Quick Response Fund was used to support the Najaf Tourism Conference, which brought together more than 150 participants to discuss the province’s tourism issues and to showcase tourism potential to a domestic and international audience.<sup>667</sup>

In the industrial sector, the Kufa cement factory and plants producing apparel, tires, and leather products lead manufacturing in the province. However, the cement factory is only producing at 25% capacity.<sup>668</sup> The U.S. Task Force to Improve Business and Stability Operations has targeted this and other state-owned enterprises in the province for revitalization.<sup>669</sup>

## ESSENTIAL SERVICES

The PDS established these goals in the essential services sectors:<sup>670</sup>

- **Oil.** Increase the production capacity of the Najaf refinery, increase storage capacity of stations, supply tankers to transport oil, and open comprehensive filling stations in jurisdictions and districts to expand distribution outlets.
- **Electricity.** Improve and develop old electricity networks, establish new electric networks, and train engineering and technical professionals.
- **Water.** Reduce water shortages by 20% annually, improve the quality of water by using sterilization substances, increase the patch of ser-

## PROVINCE BACKGROUND

### GOVERNOR:

Asad Sultan Hajim Abu Kilal al-Ta’i

### KEY FEATURES:

- Center of religious tourism
- Center of Religious Authority of Shiites for more than 1,000 years
- Cities are holy to Shia Muslims, who form the majority of the province’s population

### ECONOMIC ACTIVITY:

- Known for the rich production of wheat, rice, dates, and vegetables





Imam Ali Mosque, the third holiest site for Shia Muslims.

vices through extending new water networks to new districts, and erect water collectors for villages deprived of clean water services.

About 62% of demand for potable water is being met in the province.<sup>671</sup> This quarter, work on the **Meshkab Water Supply project** continued. The \$35 million effort was funded by the IRRF to construct a new water supply system for the province. GRD is providing contract administration for the project, which is 15% complete.<sup>672</sup>

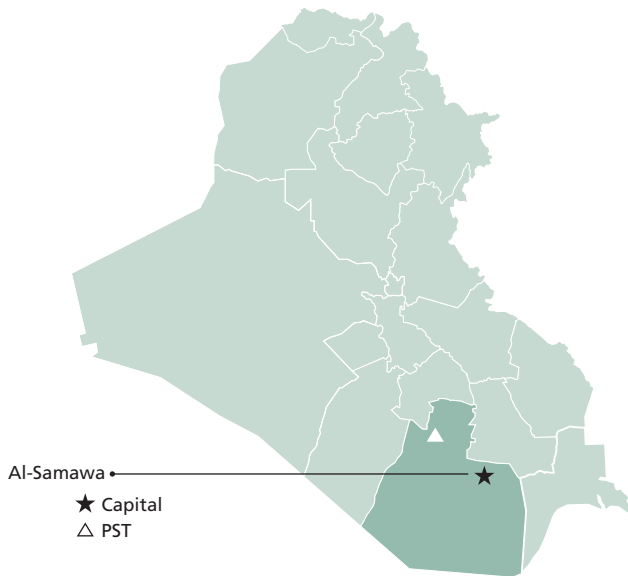
## GOVERNANCE

A PRT assessment of February 29, 2008, rated Najaf's governance capabilities at 3.0 (Sustaining) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Nine provinces are ranked below Najaf.<sup>673</sup>

This quarter, a new PRT was established in the Najaf province.<sup>674</sup> The U.S. Ambassador traveled to the province to attend opening ceremonies for the new PRT. He noted that Iraq no longer looks to the United States for major reconstruction projects. Rather, he noted that the U.S. reconstruction program is headed toward a new phase of providing “expertise, capital, and ideas.”<sup>675</sup>

## SECURITY

Najaf was the third province to attain PIC status (December 2006).<sup>676</sup> Najaf has consistently recorded one of the lowest levels of reported daily attacks among the provinces, averaging one per month this quarter.<sup>677</sup> However, the United States is re-opening a Forward Operating Base to provide protection for a PRT because of limited ISF liaison capacity.<sup>678</sup>



# MUTHANNA

CAPITAL: **Al-Samawa**

POPULATION:<sup>a</sup> **536,300**

RELIGION:<sup>b</sup> **100% Shia**

CAPITAL BUDGET:<sup>c</sup> **\$87 million, 0% expended**

U.S. PROJECTS:<sup>d</sup> **741**

U.S. PROJECT COSTS:<sup>d</sup> **\$316 million**

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Al-Salman	Construct Eastern Euphrates Drain (Zones 3B And 4)	<b>\$38.50</b>	IRRF 2	3/1/2009
2	Al-Samawa	Military Base—Icdc - 603 Ing Base	<b>\$10.81</b>	IRRF 2	11/6/2005
3	Al-Samawa	Outlying Railroad Shop Reconstruction (As Samawah)	<b>\$10.74</b>	IRRF 2	12/2/2006
4	Al-Samawa	Military Base—Icdc - 608 Ing Base	<b>\$10.60</b>	IRRF 2	2/7/2006
5	Al-Khidhir	Low Mechanical Content Water Treatment	<b>\$3.59</b>	CERP	2/13/2008

## SECURITY<sup>g</sup>

PIC DATE: **July 2006**

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	<b>.04</b>	↓
February 23, 2008–May 31, 2008	<b>.02</b>	

**Sources:**

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008.

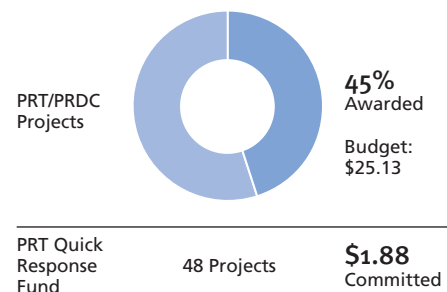
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against coalition, ISF, civilians, Iraqi infrastructure and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

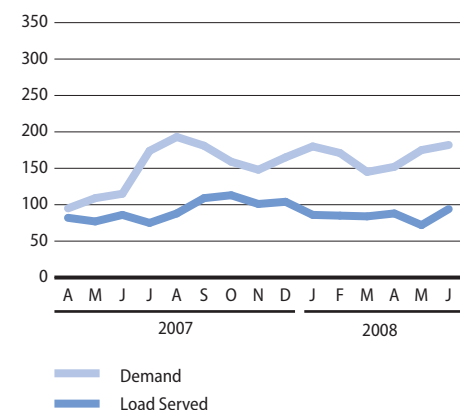
## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

MUTHANNA ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND

Megawatts (MW)





## ECONOMY

Muthanna is one of Iraq's poorest provinces. A large portion of Muthanna is desert, but some land has been developed for agriculture.<sup>679</sup> Unemployment runs about 60% in the province, and subsistence farming is prevalent.<sup>680</sup> The Muthanna Provincial Development Strategy (PDS) established these general economic development goals:<sup>681</sup>

- Achieve economic development and invest available resources to achieve an advanced standard of living for the residents.
- Establish a network of highways and bridges that connects the province to other provinces and facilitates services within it.

This quarter, 40 local farmers and sheiks met with the Muthanna PRT to discuss the agricul-

tural needs of the province. During the April 14, 2008, meeting, Muthanna residents identified irrigation as their most pressing need. As a result of the discussions, the PRT identified eight new projects for the province, which include the rehabilitation of pumping station to increase water access. The Iraqi farmers agreed to contribute funds for 25% of project costs.<sup>682</sup>

## ESSENTIAL SERVICES

According to the PDS, residents in Muthanna receive low-level basic services. Treated water, electricity, and proper housing are not available.<sup>683</sup> During the summer, there is a 50% shortage of potable water in the cities.<sup>684</sup> Further, the PDS established these goals in the essential services sectors:<sup>685</sup>

- **Water.** Implement water purification stations in the rural areas and villages to address the extreme shortages, implement and build water desalination station and set up a mechanism for distribution, and improve the quality of water by establishing modern laboratories and database to follow the work of the stations and identify disruptions and validity of the networks.
- **Electricity.** Create new networks, remove congestion and delivery stations to cover shortages, institute aerial and land pipelines, and establish high-capacity power generation to satisfy current and future demand.
- **Oil.** Support the development and rehabilitation of the Al-Samawa refinery, raise its productivity levels, and remove oil transport pipelines from inside the city.

The largest ongoing project in the province is

## PROVINCE BACKGROUND

### GOVERNOR:

Muhammad Ali Hassan Abbas al-Hassani

### KEY FEATURES:

- One of the oldest inhabited areas in the world, dating to the early Stone Age
- Suffers from high poverty rates
- Although mainly an arid desert, Muthanna has some agricultural land and orchards

### ECONOMIC ACTIVITY:

- Produces dates and raises livestock



The Muthanna PRT meets with local farmers. (PRT photo)

an IRRF grant of \$38 million to excavate approximately 40 km of the **Eastern Euphrates drainage canal**, resulting in 412,000 reclaimed hectares. A Gulf Region South (GRS) Regional Liaison Team (RLT) is reviewing ongoing activities under the grant and providing progress reports. The estimated completion date for the project is April 1, 2009.<sup>686</sup>

The **Al-Khidhir 33-kV Underground Cable project** was completed this quarter. The \$900,000 ESF project provided for the design and installation of a 3.5 km feeder line to Al-Khidhir. Changes to the scope of work, including a bridge crossing, reportedly resulted in a “no cost time extension.”<sup>687</sup>

## GOVERNANCE

A PRT assessment of February 29, 2008, rated Muthanna’s governance capabilities at 2.0 (Developing) of a possible 5.0 (Self-reliant)—unchanged from a November 2007 assessment. Seven provinces are ranked above Muthanna and one below.<sup>688</sup>

For the first time since 2003, the Muthanna PRT and U.S. Army troops visited Al-Samawa, the capital city, in June 2008.<sup>689</sup> Because Muthanna is already under Provincial Iraqi Control, U.S. troops must first receive permission from local authorities before being allowed to enter Al-Samawa via military convoy. The governor

quickly approved this trip, which accomplished delivery of donated toys and books to the Al-Amal Al-Khayria (“Virtuous Hope”) orphanage. Iraqi police escorted the convoy as it traveled through the streets of the capital.<sup>690</sup>

## SECURITY

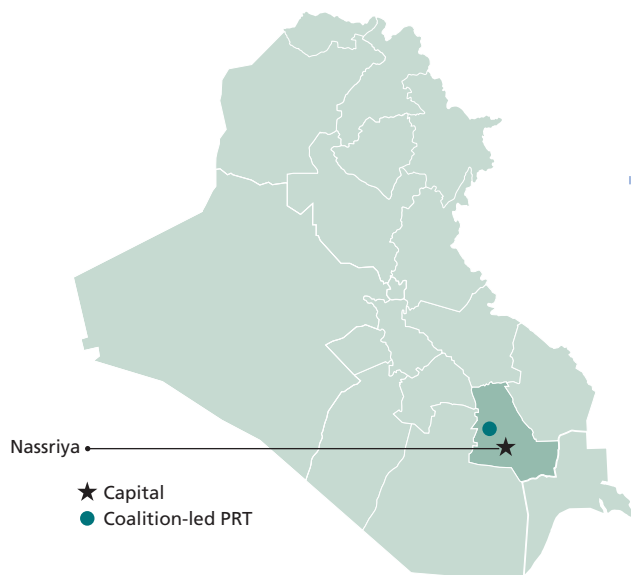
The PDS established these goals in security:<sup>691</sup>

- Provide essential equipment to control incidents and provide quick services.
- Redevelop the construction of precincts.
- Build a modern communication system that guarantees quick communication and response.

Muthanna was the first province to be transferred to Iraqi control (July 2006).<sup>692</sup> Several factors contribute to the province’s reputation as one of the least violent areas in Iraq.<sup>693</sup>

- religious and ethnic homogeneity
- improved cooperation with the ISF
- capable and well-commanded Iraqi Security Forces<sup>694</sup>

A recent Embassy survey found that the Iraqi Army and police are well commanded and that provincial leadership is strong.<sup>695</sup> As a result, attacks are low—two were reported from February 23, 2008, to May 31, 2008.<sup>696</sup> Muthanna is the fourth least violent province in Iraq.



# THI-QAR

CAPITAL: **Nassriya**

POPULATION:<sup>a</sup> **1.43 million**

RELIGION:<sup>b</sup> **100% Shia**

CAPITAL BUDGET:<sup>c</sup> **\$219 million, 0.1% expended**

U.S. PROJECTS:<sup>d</sup> **1,217**

U.S. PROJECT COSTS:<sup>d</sup> **\$919 million**

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Nassriya	Design and Construct Nassriya Water Supply Project	\$276.73	IRRF 2	9/11/2007
2	Nassriya	Design And Construct Nassriya Drainage Pump Station	\$81.93	IRRF 2	2/28/2007
3	Nassriya	Nassriya Prison Facility	\$52.95	IRRF 2	7/12/2006
4	Nassriya	Construct Tallil Military Base	\$49.81	IRRF 2	4/1/2005
5	Al-Shatra	Shaiba Location Command	\$37.28	ISFF	9/27/2009

## SECURITY<sup>g</sup>

PIC DATE: **September 2006**

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	.24	↓
February 23, 2008–May 31, 2008	.23	

**Sources:**

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, [www.iom-iraq.net](http://www.iom-iraq.net).

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.

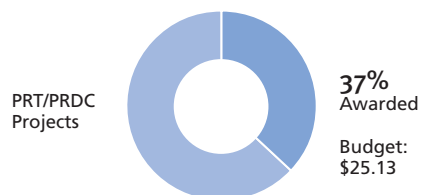
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against coalition, ISF, civilians, Iraqi infrastructure and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

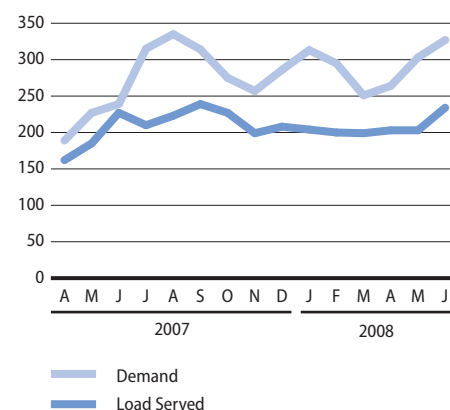
## PRT PROJECTS<sup>f</sup> \$ MILLIONS



PRT Quick Response Fund 32 Projects \$50 Committed

## ESSENTIAL SERVICES<sup>h</sup>

THI-QAR ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)



## ECONOMY

Thi-Qar has substantial agricultural resources. In its Provincial Development Strategy (PDS), the provincial council noted that if these resources are promoted, modernized, and scientifically researched, they will provide the local agricultural products needed to meet local demand and possibly be exported to other provinces.<sup>697</sup>

This quarter, an ESF project, funded by \$200,000 of the Quick Response Fund, re-equipped the **Thi-Qar Iraqi Businessmen's Union** office in Nassriya. The union will assist the provincial and local government on public sector projects and facilitate trade, investment, and employment opportunities within the private sector.<sup>698</sup>

## ESSENTIAL SERVICES

Thi-Qar's PDS draws attention to the severe water shortages in the province: 40% at full power supply and as much as 60% with a power

outage.<sup>699</sup> Further, the PDS established these goals in the essential services sectors:<sup>700</sup>

- **Water.** Use more effectively the province's share of water to preserve the Euphrates and Guraf Rivers, rationalize water consumption and reduce water squandering in irrigation projects, and resolve the problem of water scarcity in some irrigation projects, especially in Sayyid-Dakhil and Al-Islah regions.
- **Electricity.** Build highly effective stations and new sophisticated networks, supply electricity to the remote communities in the province, solve the jamming of power networks, and use alternative energy resources to generate electricity.
- **Health Care.** Build modern health facilities that provide services to all residents, meet the scientific and technological advances, develop a global immunization program, provide blood transfusion services, and raise health awareness among residents.

## PROVINCE BACKGROUND

### GOVERNOR:

Aziz Kadhum Alwan al-Ogheli

### KEY FEATURES:

- Home to major archeological finds, including the ancient Sumerian ruins of Ur and Eridu

### ECONOMIC ACTIVITY:

- Economic resources include arable lands, livestock, cane, and oil reserves



Electricians energize power to Electrical Overhead Feeder of Nassriya Prison. (USACE photo)

Last quarter, SIGIR inspected the **Nassriya Water Treatment Plant**, which is part of the largest U.S. water supply project in Iraq. This quarter, the United States assisted the Ministry of Municipalities and Public Works to retain four expert Iraqi engineers and procure essential spare parts to return critical plant equipment to full capacity. The United States advised the ministry to retain an operations and maintenance service contractor, to upgrade two electrical substations, and to repair several distribution networks. These activities are estimated to cost \$16 million.<sup>701</sup>

This quarter, SIGIR inspected several projects in Nassriya. For a summary of the inspections' findings, see Table 2.45, and for detailed information, see Section 3.

## GOVERNANCE

A PRT assessment of February 29, 2008, rated Thi-Qar's governance capabilities at 3.0 (Sustaining) of a possible 5.0 (Self-reliant). This is a significant improvement from the November 2007 assessment, when governance in the province was rated a 1.0 (Beginning). Nine provinces currently rank below Thi-Qar.<sup>702</sup>

According to the U.S. Embassy, Thi-Qar's PRTs are being used as a successful development model by non-governmental organizations like the UN/World Bank International

Reconstruction Fund Facility for Iraq (IRFFI).<sup>703</sup> IRFFI was interested to learn how PRT experts are embedded at the local levels and how its volunteers interact with leaders and activists. They chose to visit Thi-Qar because it sets a successful example as a province under Provincial Iraqi Control (PIC), and the local government is making great strides in development.

## SECURITY

The PDS established these goals for security:<sup>704</sup>

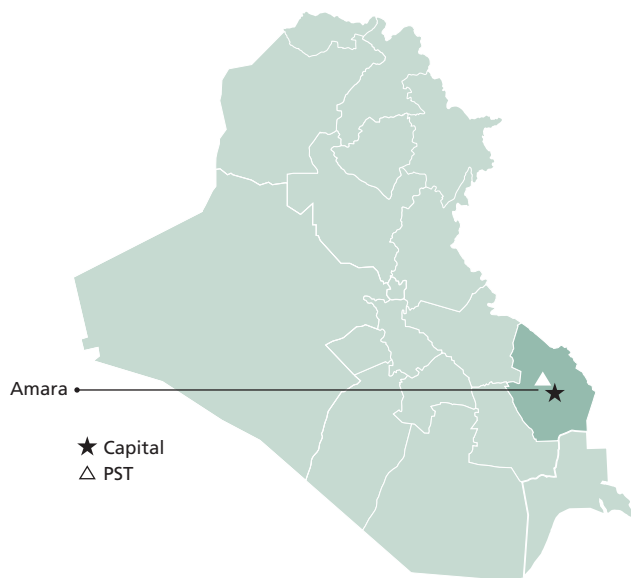
- Develop and strengthen the relationship among the local government, the police department, and the courts.
- Educate security forces about constitutional provisions and increase their understanding of human rights.
- Provide suitable buildings for security forces.

Thi-Qar was the second province to achieve PIC (September 2006),<sup>705</sup> and the province has averaged one to two attacks per week from February 23, 2008, to May 31, 2008.<sup>706</sup> PRTs operate in the province without the assistance of Coalition forces, and activities are assisted by Iraqi Security Forces escorts. More than 60 PRT missions have been completed in the past nine months without a single security incident.<sup>707</sup>

## SIGIR INSPECTIONS IN NASSRIYA (THI-QAR PROVINCE)

INSPECTION	OBSERVATIONS AND RECOMMENDATIONS
<b>SIGIR PA-08-127</b> <b>33 Kilovolt Power Line</b>  Project Objective: Design and construct equipment required for a 33-kilovolt overhead line.  Project Cost: Fixed price contract of \$1,537,560	The SIGIR assessment determined that: <ul style="list-style-type: none"> <li>• Adequate design documentation for project components was not available for the project; contractor's design package was incomplete.</li> <li>• At the time of SIGIR's visit, the project was 65% complete, and construction appeared to meet the standards of the statement of work.</li> <li>• The contractor's quality control plan was inadequate to guide a quality management program.</li> <li>• Sustainability was addressed in the contract requirements.</li> <li>• To date, the project results are consistent with the original contract objectives.</li> </ul> <p><b>No recommendations for corrective action.</b></p>
<b>SIGIR PA-08-124</b> <b>Al Shofa Water Facility</b>  Project Objective: Design and construction of a compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour, an above ground storage reservoir, a pipe network connecting to the existing water network, and a perimeter fence.  Project Cost: Fixed price contract of \$348,850	The SIGIR assessment determined that: <ul style="list-style-type: none"> <li>• Adequate design documentation for project components was not available for the project; contractor's design package was incomplete.</li> <li>• At the time of SIGIR's visit, the project was 59% complete, and construction appeared to meet the standards of the statement of work.</li> <li>• The contractor's quality control plan was inadequate to guide a quality management program.</li> <li>• Sustainability was addressed in the contract requirements.</li> <li>• The project results, to date, are consistent with the original contract objectives.</li> </ul> <p><b>No recommendations for corrective action.</b></p>
<b>SIGIR PA-08-129</b> <b>Al Ager Water Compact</b>  Project Objective: Design and construction of a compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour, an above ground storage reservoir, a pipe network connecting to the existing water network, and a perimeter fence.  Project Cost: Fixed price contract of \$650,000	The SIGIR assessment determined that: <ul style="list-style-type: none"> <li>• Adequate design documentation for the project components was not available.</li> <li>• At the time of SIGIR's visit, the project was 17% complete, and construction appeared to meet the standards of the statement of work.</li> <li>• The contractor's quality control plan was inadequate to guide the contractor's quality management program.</li> <li>• Sustainability was addressed in the contract requirements.</li> <li>• The project results, to date, are consistent with the original contract objectives.</li> </ul> <p><b>No recommendations for corrective action.</b></p>
<b>SIGIR PA-08-125</b> <b>Al Kazim Water Supply</b>  Project Objective: Design and construction of a compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour, an above ground storage reservoir, a pipe network connecting to the existing water network, and a perimeter fence.  Project Cost: Fixed price contract of \$492,800	The SIGIR assessment determined that: <ul style="list-style-type: none"> <li>• Adequate design documentation for the project components was not available.</li> <li>• At the time of SIGIR's visit, the project was 55% complete, and construction appeared to meet the standards of the statement of work.</li> <li>• The contractor's quality control plan was inadequate to guide the contractor's quality management program.</li> <li>• Sustainability was addressed in the contract requirements.</li> <li>• The project results, to date, are consistent with the original contract objectives.</li> </ul> <p><b>No recommendations for corrective action.</b></p>

TABLE 2.45



# MISSAN

CAPITAL: Amara

POPULATION:<sup>a</sup> 743,400

RELIGION:<sup>b</sup> 100% Shia

CAPITAL BUDGET:<sup>c</sup> \$124 million, 14% expended

U.S. PROJECTS:<sup>d</sup> 727

U.S. PROJECT COSTS:<sup>d</sup> \$299 million

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Amara	Burzurgan—Old Amara 132kV Line	\$26.25	IRRF 2	10/11/2004
2	Amara	Construct 33kV Feeders—Amara	\$17.38	IRRF 2	2/13/2008
3	Al-Kahla	Missan Surgical Hospital, Phase 2	\$14.08	ESF	5/19/2009
4	Amara	Old Amara 132kV Substation Extension	\$14.04	IRRF 2	8/3/2004
5	Amara	ICDC Military Base	\$10.25	IRRF 2	3/25/2006

## SECURITY<sup>g</sup>

PIC DATE: April 2007

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, /2008	.02	↓
February 23, 2008–May 31, 2008	0	

### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, [www.iom-iraq.net](http://www.iom-iraq.net).

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.

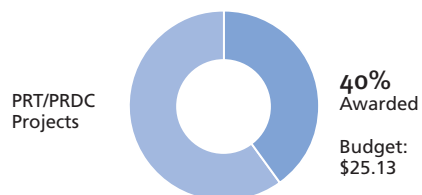
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against coalition, ISF, civilians, Iraqi infrastructure and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

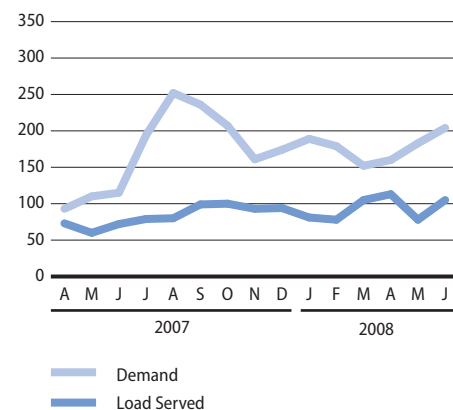
## PRT PROJECTS<sup>f</sup> \$ MILLIONS



PRT Quick Response Fund 11 Projects \$7.73 Committed

## ESSENTIAL SERVICES<sup>h</sup>

MISSAN ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)





## ECONOMY

Generally, Missan province is characterized by severe poverty. About 64% of the people live below the poverty line,<sup>708</sup> and nearly 75% work in the agricultural sector.<sup>709</sup> The Provincial Council notes that most of the revenues from manufacturing industries in this sector go to the Ministry of Industry and Minerals,<sup>710</sup> and many factories are in need of development, investment, and materials.<sup>711</sup> The Missan Provincial Development Strategy (PDS) established these general economic development objectives:<sup>712</sup>

- qualitative and quantitative development of the infrastructure services
- achieve development in tourism
- develop the agriculture community
- activate the role of the private sector

This quarter, GRD completed the renovation of a 26-year-old asphalt plant in the Missan province. The nearly \$250,000 project included the upgrade of the electrical and mechanical equipment in the plant and the construction of a new administration office. The factory is the

only operational plant of the three government-owned asphalt plants in the province.<sup>713</sup>

## ESSENTIAL SERVICES

According to the PDS, Missan province is considered one of the “population-repelling” provinces because it lacks the services of other areas in Iraq.<sup>714</sup> The current electricity network is old and can no longer handle the needs of the population.<sup>715</sup> Further, the PDS noted these challenges in the essential services sectors:<sup>716</sup>

- **Water.** Biological pollutants in the Degla River increase turbidity and salinity; a drainage network is needed; and there is a shortage of treatment centers.
- **Education.** There are not enough school buildings and teachers, and curricula and teaching systems are out of date.
- **Health Care.** There are not enough medications to meet emergency requirements, and there is a need for a basic health care program to stem the high percentage of epidemics and other diseases.

## PROVINCE BACKGROUND

### GOVERNOR:

Adil Mahoder

### KEY FEATURES:

- Marshlands form more than 40% of the total area
- The people of Missan remain the most needy in Iraq

### ECONOMIC ACTIVITY:

- Investment and excavation of oil and its derivatives
- Also produces wheat, barley, rice, and white and yellow maize





Renovated asphalt plant near Amara. (USACE photo)

This quarter, construction is ongoing on two phases of an 80-bed hospital facility in the Missan province. The project includes a main hospital building, physicians' residences, and a sewage treatment plant. Phase I of the \$18.6 million, ESF-funded project began in November 2007, and phase II began in March 2008. It is expected to be completed by May 2009.<sup>717</sup>

## GOVERNANCE

A PRT assessment of February 29, 2008, rated Missan's governance capabilities at 1.0 (Beginning) of a possible 5.0 (Self-reliant). This is a decline from the November 2007 assessment, which rated governance at 2.0 (Developing). In the latest assessment, Missan ranked lowest among all provinces.<sup>718</sup>

This quarter, PRT Missan launched a seven-month **Municipal Planning and Development Course**.<sup>719</sup> This sustainability program builds the capacity of municipal programming professionals, helping them to better manage existing infrastructure and assets.

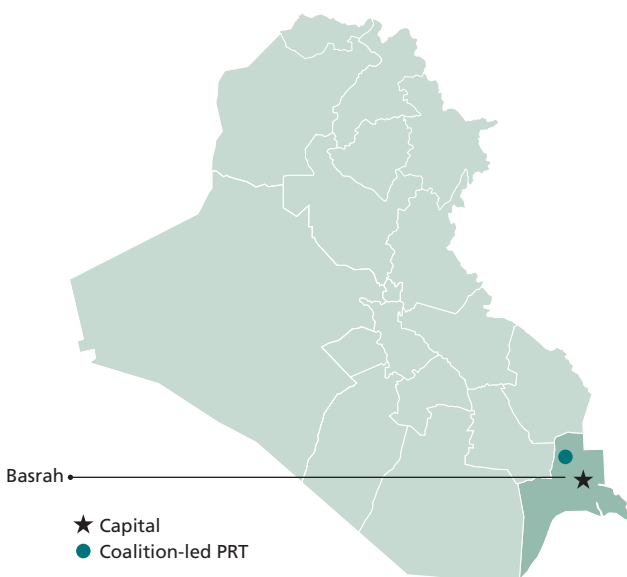
A non-sectarian and independent NGO, the Iraq Foundation, received a grant from the ESF Quick Response Fund (QRF) to train ten Missan NGOs in governance skills, leadership, management, and planning. The Foundation aims to use this training to promote the development and effectiveness of civil society organizations in the province.

## SECURITY

The PDS established these goals for security:<sup>720</sup>

- Strengthen the relationship between the local government, the police directorate, and the court.
- Develop training for the police to reinforce their effectiveness.
- Supply the detention centers and jails with essential equipment.

Missan was the fourth province to achieve PIC (April 2007), and no attacks were reported against the ISF, Iraqi civilians, or Coalition personnel from February 23, 2008, to May 31, 2008.<sup>721</sup> Coalition forces and PRTs have had few operations in the province since PIC,<sup>722</sup> even though Coalition forces assisted the ISF with clearing operations against militias and special groups.<sup>723</sup> Approximately 10,000 members of the ISF were in the province conducting operations, and Coalition forces accounted for about 500 troops, serving in various assistance roles.<sup>724</sup> It remains unclear whether the Coalition's operational support for the ISF this quarter will result in an enhanced relationship between PRT representatives and provincial contacts who must travel outside the province to meet with PRT representatives.



# BASRAH

CAPITAL: **Basrah**

POPULATION:<sup>a</sup> **1.76 million**

RELIGION:<sup>b</sup> **100% Shia**

CAPITAL BUDGET:<sup>c</sup> **\$322 million, 0% expended**

U.S. PROJECTS:<sup>d</sup> **3,306**

U.S. PROJECT COSTS:<sup>d</sup> **\$2.1 billion**

## RECONSTRUCTION PROJECTS<sup>e</sup>

MAJOR U.S.-FUNDED PROJECTS (\$ MILLIONS)

	DISTRICT	PROJECT NAME	TOTAL COST	FUND	FORECAST/ ACTUAL COMPLETION
1	Al-Zubair	Khor Zubair New Generation	\$121.36	IRRF 2	1/6/2006
2	N/A	South Well Work Over	\$88.19	IRRF 2	5/12/2007
3	Al-Qurna	West Al-Qurna Well Completion & Replacement Tubing	\$61.70	IRRF 2	3/22/2007
4	Basrah	Design And Construct Basrah City Sewerage Project	\$53.84	IRRF 2	10/30/2006
5	Al-Qurna	Construct New 400kV Substation at Amara	\$38.26	IRRF 2	4/1/2008

## SECURITY<sup>g</sup>

PIC DATE: **December 2007**

AVERAGE DAILY ATTACKS

TIME PERIOD	AVERAGE NUMBER OF DAILY ATTACKS	TREND
December 1, 2007–February 22, 2008	1.21	↑
February 23, 2008–May 31, /2008	1.28	

### Sources:

<sup>a</sup> UNOCHA, "Iraq-Population by Governorate," November 19, 2007.

<sup>b</sup> IOM, "IOM Displacement Data Used for Associated Press Interactive Website," May 2008, www.iom-iraq.net.

<sup>c</sup> Ministry of Finance, *Capital Report*, March 2008, provided by the U.S. Treasury, June 29, 2008.

<sup>d</sup> IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008.

<sup>e</sup> IRMS, *ITAO Rollup*, July 7, 2008.

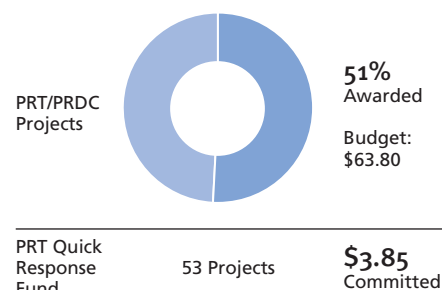
<sup>f</sup> ITAO, response to SIGIR data call, June 29, 2008.

<sup>g</sup> MNF-I, *SPA Assessments*, June 2008; MNF-I, response to SIGIR data call, July 12, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008 and June 1, 2008. Data reflects executed enemy attacks targeted against coalition, ISF, civilians, Iraqi infrastructure and government organizations. Does not include IEDs and mines found and cleared.

<sup>h</sup> ITAO, *IRMO Electricity Daily Units Performance Reports*, April 1, 2007–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2007–June 29, 2008.

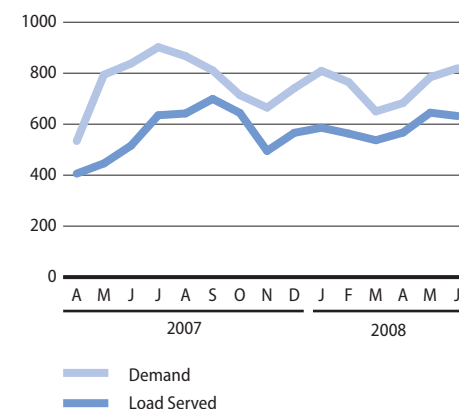
**Notes:** Locations on map are approximate. Numbers affected by rounding. Figures for source d include ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds.

## PRT PROJECTS<sup>f</sup> \$ MILLIONS



## ESSENTIAL SERVICES<sup>h</sup>

BASRAH ELECTRICITY—AVERAGE DAILY LOAD SERVED AND DEMAND  
Megawatts (MW)



## ECONOMY

The only ports in Iraq are located in Basrah, which borders the Persian Gulf. Trade through the Port of Umm Qasr continues at healthy levels following the port's occupation by GOI security forces in March 2008. The port is experiencing steady, often robust activity in the areas of vessel arrivals, container movements, and grain shipments.<sup>725</sup> In May 2008, 230,334 metric tons of wheat were discharged in Umm Qasr—a 237% increase from the same period last year.<sup>726</sup> The Basrah Provincial Development Strategy (PDS) established these general economic development goals:<sup>727</sup>

- Amend policies for granting loans and banking facilitations.
- Issue appropriate economic, financial, and tax policies that include complete or partial exemption of small projects from income tax to allow the formation of capitals.
- Support the establishment of institutions that provide data and financial support.

Efforts to modernize and expand the operations at **Umm Qasr** continued this quarter. The GOI is engaged in selection of an international consulting firm to design and manage a competitive tender process for the improvement and development of the port. The U.S. Office of Transportation Attaché assisted the GOI in preparing the Port Tender Consultant request for proposals and in organizing and financing a conference in Erbil, where pre-qualified candidate firms were invited to present their proposals. Final selection of a Port Tender Consultant by the GOI is expected by July 2008.<sup>728</sup>

The **Nelcon Crane Refurbishment Project** continued this quarter. With estimated completion by September 30, 2008, the project has the potential to add an additional 25% to the overall capacity of the Port of Umm Qasr over the long term. As of June 30, 2008, nearly \$3.7 million of the IRRF has been obligated for this project, and more than \$3.2 million has been expended.<sup>729</sup>

## PROVINCE BACKGROUND

### GOVERNOR:

Muhammad Mossibh al-Wahili

### KEY FEATURES:

- Important cultural and trade center
- Houses Iraq's only ocean ports and main export route for oil
- Geographically diverse with marshes, plains, and desert

### ECONOMIC ACTIVITY:

- Home to Iraq's largest oil fields
- Produces tomatoes and dates as winter crops

## ESSENTIAL SERVICES

Exports passing through the **Al Basrah Oil Terminal (ABOT)** are the central figure in Basrah's economy. This quarter, 1.52 MBPD of oil was exported through ABOT and the Khor Al Amaya Oil Terminal, accounting for approximately 80% of Iraq's oil export average this quarter.<sup>730</sup> The PDS established these goals in the essential services sectors:<sup>731</sup>

- **Oil.** Develop new transport lines for oil and oil products, restore and active the Iraqi Oil Tankers Company, and refurbish and develop gas manufacturing, processing, sorting, and exportation by the South Gas company.
- **Municipalities.** Increase the number of workers who collect waste, provide equipment for cleaning, and restore landfill sites according to the environmental conditions and requirements.
- **Water.** Implement projects to treat the highly polluted water, establish repair and maintenance workshops in the central projects (equipping them with essential materials), and build heavy drainage networks and rain drains.

The \$160 million **Basrah Children's Hospital** is currently 88% complete. An assessment revealed about \$55,000 in damages caused during the March 2008 violence in Basrah. Site security on the project will be required through the end of 2008.<sup>732</sup> The estimated completion date for the U.S. portion of construction is currently July 21, 2008. Equipment integration and non-U.S. construction will continue through November or December 2008. The first phase of the hospital is scheduled to open in early 2009. The cost to com-

plete the main construction phase of the project is nearly \$6 million. This will be Iraq's first new teaching hospital in more than 23 years.<sup>733</sup>

## GOVERNANCE

A PRT assessment of February 29, 2008, rated Basrah's governance capabilities at 3.0 (Sustaining) of a possible 5.0 (Self-reliant). This represents significant improvement from the November 2007 assessment, when governance in the province was rated at 1.0 (Beginning). Nine provinces ranked below Basrah in the latest assessment.<sup>734</sup>

This quarter at the Basrah International Airport, the Basrah PRT, USAID, GRD, and UNDP completed a two-day workshop on budget execution support. Nearly 60 Iraqi officials from Basrah's governor's office and 8 technical directorates participated.<sup>735</sup>

The PRT Basrah received \$198,800 in QRF support for the **Promotion of and Tolerance Among the Youth of Basrah project**.<sup>736</sup> The project's objective is to use artistic activities to promote tolerance and build conflict resolution skills among 5,000 urban and rural youths in the province. The PRT also shared the tools of the project with 40 NGOs through direct trainings.<sup>737</sup>

The **Community Stabilization Program (CSP)** approved two new vocational training courses for masonry and computer maintenance, both standard Ministry of Labor and Social Affairs curricula. Trainees will be provided with stipends to cover transportation and personal expenses, as well as a toolkit at the completion of the training.<sup>738</sup>



Port of Umm Qasr in Basrah. (USACE photo)

## SECURITY

Basrah achieved PIC in December 2007. Before and following the attainment of PIC, Basrah was the focal point of an intra-Shia power struggle between three groups over control of oil in southern Iraq as well as challenges to government control in the province and in the national government.<sup>739</sup> DoD reported that Basrah is the seventh most violent province, averaging more than one attack each day.<sup>740</sup>

In the first quarter of 2008, the national government launched **Operation Saulat Al-Fursan** to assert control of Basrah. Early stages of the operation reflected what appeared to be a lack of coordination, particularly in the face of militia

resistance, which resulted in increased violence between March and May 2008.<sup>741</sup>

Following a ceasefire ordered by militia leader Muqtada al-Sadr, government forces continued discrete operations to arrest the flow of arms and the return of fighters into Basrah city. DoD reports that U.S. and British troops played a critical role in support of the ISF in continuing security operations.<sup>742</sup>

Notwithstanding DoD reports that security operations in Basrah have been successful,<sup>743</sup> PRT efforts appear to continue to be stymied. A PRT member reported to the U.S. Embassy that “PIC seems to have no effect whatsoever on security as far as the PRT is concerned.”<sup>744</sup>

# SIGIR OVERSIGHT

SIGIR AUDITS  
SIGIR INSPECTIONS  
SIGIR INVESTIGATIONS  
SIGIR HOTLINE  
SIGIR WEBSITE  
LEGISLATIVE UPDATE

SECTION 3

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# 3



## SIGIR AUDITS

From May 1, 2008, to July 30, 2008, SIGIR completed seven new audit products. Since March 2004, SIGIR has issued 122 audit products.

This quarter, SIGIR audits addressed a diverse range of issues and programs:

- two focused contract audits in a continuing series dealing with outcomes, costs, and oversight issues associated with major reconstruction contracts in Iraq
- a broad look across the entire body of SIGIR audit reports to identify key recurring management issues that, if not addressed, could adversely affect similar types of reconstruction efforts in the future
- improvements that the U.S. government should consider for the Iraq Reconstruction Management System (IRMS) to better ensure a single source for complete and consistent data on reconstruction projects in Iraq
- information on the status of U.S. funding for infrastructure projects supporting the Iraqi

Security Forces, and on the progress of the GOI taking on increased responsibilities in funding this area

- a review of key U.S. government and GOI anticorruption efforts in Iraq
- an overview of a special Department of Defense (DoD) program to foster economic recovery in Iraq—the first of several SIGIR efforts planned to compare and contrast the effectiveness and efficiency of various U.S.-funded programs to facilitate and stimulate economic recovery and development in Iraq

For a list of these audit products, see Table 3.1.

SIGIR is currently working on 11 ongoing audits and plans to start a number of others next quarter. SIGIR performs audit work under generally accepted government auditing standards.

- For information on all SIGIR audit projects issued as of July 30, 2008, and for the full text of

### SIGIR Audit Products, 5/1/2008–7/30/2008

REPORT NUMBER	REPORT TITLE	DATE ISSUED
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC	July 2008
08-019	Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc.	July 2008
08-020	Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts	July 2008
08-021	Comprehensive Plan Needed To Guide the Future of the Iraq Reconstruction Management System	July 2008
08-022	Government of Iraq Increasingly Funding Iraq Security Forces Infrastructure Development, but Substantial U.S. Support Remains	July 2008
08-023	Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions, but Much Remains To Be Done	July 2008
08-024	Information on a Special Department of Defense Program to Foster Economic Recovery in Iraq	July 2008

TABLE 3.1



all final audit products, see Appendix J, Table J-1, and the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

- For information on the status of implementation of SIGIR recommendations from its audit products and recommendations that remain open, see Appendix J, Table J-2.
- For information on significant open recommendations from prior reports, see Appendix J.

SIGIR's work is coordinated with other audit entities engaged in Iraq-related work, and that coordination is reinforced by the Iraq Inspectors General Council (IIGC), which meets quarterly to discuss ongoing and future oversight work. The objective of the IIGC is to prevent duplication of effort and to share information and experiences gained from ongoing audit activity.

On Wednesday, May 14, 2008, the IIGC met at SIGIR headquarters in Arlington, Virginia. The participants included representatives from SIGIR, the Department of Defense Office of Inspector General (DoD OIG), the Department of State Office of Inspector General (DoS OIG), the U.S. Agency for International Development Office of Inspector General (USAID OIG), the Defense Contract Audit Agency (DCAA), the U.S. Army Audit Agency (USAAA), and the Government Accountability Office (GAO). Some members participated by phone from Baghdad and U.S. locations.

SIGIR also coordinates a quarterly interagency working group meeting in Baghdad to discuss the ongoing and planned audit work of all U.S. audit groups in Iraq. Additionally, SIGIR audit representatives attend periodic meetings at DoD

OIG to further coordinate ongoing and planned audit activities.

## FINAL SIGIR AUDIT PRODUCTS FOR THIS QUARTER

### *Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC*

(SIGIR-08-018, JULY 2008)

#### Introduction

Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report "on all amounts appropriated or otherwise made available for the reconstruction of Iraq." To fulfill this requirement, SIGIR has undertaken a series of audits examining major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, the sixth in the series of focused contract audits, examines reconstruction work contracted by the U.S. government and performed by FluorAMEC, LLC, and also focuses on the problems associated with the transfer of completed projects to the GOI.

In March 2004, at the request of the Coalition Provisional Authority (CPA), the Naval Facilities Engineering Command awarded FluorAMEC a cost-plus award-fee indefinite-delivery, indefinite-quantity contract (W914NS-04-D-0022) to provide design-build projects in the water sector in southern Iraq. In addition to a task order for mobilization into Iraq, FluorAMEC was issued four construction-project task orders:

- Nassriya Water Supply (Nassriya Project)
- Basrah Sewage (Basrah Project)
- Diwaniya and Daghara Water Supply Project (Diwaniya Project)
- Najaf and Kufa Water Supply Project (Najaf Project)

A variety of U.S. agencies have been responsible for program management and contract management of this contract. Initially, the CPA's Program Management Office (PMO) had program management responsibilities; however, in May 2004, the Project and Contracting Office (PCO) replaced the PMO and took over those responsibilities. In October 2006, the U.S. Army Corps of Engineers, Gulf Region Division (GRD), replaced the PCO. In November 2004, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) assumed contract management responsibilities from the CPA.

## Results

Work on this contract was deemed generally successful; however, less was accomplished under the contract than expected for two reasons. First, the funding planned for water-sector projects was reduced. Second, water-sector projects proved to be significantly more costly than initially estimated. More than \$2 billion of the \$4.2 billion originally allocated for the water-sector projects was redirected to other sectors. Of four construction task orders issued, two were completed (Nassriya and Basrah), and two were terminated for the convenience of the government because of funding constraints (Diwaniya and Najaf).

SIGIR identified these key facts and issues related to contract outcome and cost:

As of May 5, 2008, \$318.51 million had been disbursed against the contract's \$500 million ceiling—97% of these expenditures was associated with the two completed task orders. Most of the funds were spent on the expanded Nassriya Project.

A number of factors negatively impacted work on the two completed construction task orders: funding constraints, increased costs, schedule slippages related to the unstable security environment, and changes in the planned scope of work.

Of the two completed task orders, the Nassriya water-treatment facility was the largest and most ambitious project. The project ultimately consolidated planned water-treatment facilities at three towns into one larger-capacity facility and also extended pipelines to the two other towns. SIGIR identified deficiencies in cost estimates as a significant factor in the U.S. government's inability to predict the 51% cost increase for the Nassriya Project after definitization.

The Basrah Project included multiple tasks related to upgrading the wastewater collection and treatment system, but numerous design and scope changes were made over the first months of the project to reflect evolving priorities and budget constraints.

Task orders for water-supply projects at Diwaniya and Najaf were terminated at the 60% design stage, about six months after the task orders were issued, because of water-sector funding constraints. As of May 2008, \$6.89 million had

been spent on these two projects. Funds expended on such terminated projects could be viewed as wasted if the designs are not used.

SIGIR's review identified extensive efforts on the part of U.S. government organizations to carry out contract management tasks, including oversight, quality assurance, contract administration, and reporting. The U.S. government substantially relied on a contractor to provide assistance in managing and overseeing the projects. SIGIR noted the following management issues that adversely affected the projects:

**Inappropriate payment of award fees.** The U.S. government paid \$1.24 million in award fees on the terminated task orders—including \$573,605 that was inappropriately paid after termination, an action contrary to the award fee plan. On the completed task orders, the award fees were structured and administered to provide an incentive for improved contractor performance.

**Insufficiently defined scope of work.** The initial contract specified the broad mission to restore, rebuild, and develop water, wastewater, and solid waste projects, and the subsequent task orders did little to define the required work. The Nassriya Project task order required a preliminary technical study of alternatives, and the Basrah Project task order required an assessment and coordination study.

**Inadequate preparation of detailed and independent cost estimates.** For the Nassriya Project, the initial cost estimate and the definitized estimate were both considered unrealistic, and the required independent government estimate

was not a good predictor of future costs. Realistic estimates are needed for effective management and oversight and to minimize the potential for fraud, waste, and abuse.

**Not initiating timely action to close out task orders.** Failing to close out task orders resulted in increased costs and administrative burdens. This is most evident with Task Orders 4 and 5: they were terminated in July 2005, but were only recently submitted to a termination contracting officer for closeout.

SIGIR has previously reported on the difficulties transferring completed U.S.-funded projects to the GOI, along with concerns about the long-term sustainment of transferred facilities.<sup>745</sup> The completed Nassriya and Basrah Projects were examples of that problem, despite contract tasks to help ensure successful transfer and operation. For example, the Nassriya task order required FluorAMEC to provide classroom and hands-on training for Iraqi plant operators and staff. However, a lack of qualified trainees severely hampered training progress, and the GOI was reluctant to assume responsibility for the completed plant. Since the transfer, the plant has operated below capacity. SIGIR identified these problems in an April 2008 inspection report<sup>746</sup> and recommended actions to increase operational output and avert further deterioration. The GOI's current and anticipated lack of capacity to operate and maintain the plant raises serious concerns about its long-term sustainability and places the investment at risk of being wasted.

Because SIGIR's reports on transferring completed projects and the SIGIR inspection

report on Nassriya contained recommendations, this report makes no recommendations on these issues.

### **Recommendation**

SIGIR recommends that JCC-I/A establish timeframes for closing task orders to minimize costs and administrative expenses. As Task Orders 4 and 5 are closed out, JCC-I/A should ensure that excessive award fees paid are recovered.

### **Lessons Learned**

U.S. reconstruction projects in Iraq were hampered by the unstable security environment, funding uncertainties, and time constraints. These conditions created difficulties in accomplishing pre-award planning, defining project requirements, and overseeing contractor performance. Nevertheless, fundamental elements of contract management, project management, and oversight should be accomplished to the extent possible. SIGIR identified a number of lessons that U.S. government organizations could apply to future reconstruction projects in a contingency environment, including:

- Recognize in planning assumptions and budget estimates that undertaking reconstruction activities before security conditions have been stabilized will increase the cost of security and decrease the likelihood that cost, schedule, and performance goals will be met.
- Complete comprehensive pre-award planning, including realistic and well-defined work scopes and estimates of costs and schedules.

These are needed for effective government management and oversight of reconstruction projects and to minimize the potential for fraud, waste, and abuse.

- To the extent possible, ensure that needed funds will be available to complete projects before awarding contracts/task orders. This will reduce the likelihood of potentially wasteful terminations caused by funding reductions.
- Definitize contracts/task orders only after complete and supportable cost and schedule information is available. Premature definitization based on limited design and construction information, especially in a contingency environment, can result in unanticipated project cost increases, schedule delays, and potential waste.
- Before taking a major contract action, such as definitization, prepare independent and comprehensive estimates of government cost and schedule. The lack of these estimates to evaluate contractor proposals can result in unanticipated costs increases, schedule delays, and potential waste.
- Take early action to address project transfer and sustainment issues with the host government. Expectations of future project performance could be overstated unless long-term operation and maintenance issues are resolved.
- Take timely actions to close out task orders to help reduce costs and avoid administrative burdens.

## Management Comments and Audit Response

In preparing this report, SIGIR considered written comments from the Multi-National Force-Iraq (MNF-I) and the U.S. Army Corps of Engineers, Gulf Region Division (GRD).

MNF-I responded that JCC-I/A concurs with the recommendation and the specific findings supporting it. To address that portion of the recommendation related to contract closeout timeframes, JCC-I/A plans to examine personnel constraints and the potential for additional resources. To address that portion of the recommendation related to excessive award fees, JCC-I/A will use final closeout audits through the Defense Contract Audit Agency to resolve award-fee discrepancies. SIGIR supports the plans and will follow up on progress to complete these actions at the appropriate time.

GRD comments correctly cite a paragraph in SIGIR's draft report that raised questions about the adequacy of the independent government estimate for the Nassriya Project. However, the comments then stated that SIGIR's position is that using any materials provided by the design-build contractor is not appropriate when developing an independent government estimate. This is not correct. As noted in this report, SIGIR's position is that the independent government estimate for this project—based largely on the same limited design information as the FluorAMEC proposal—was neither comprehensive nor independent. As a result, it was not a good predictor of the growth in costs that occurred over the next few months.

## *Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc.*

*(SIGIR-08-019, JULY 2008)*

### Introduction

A December 2006 amendment to SIGIR's enabling legislation and an expanded mandate in the 2008 National Defense Authorization Act, P.L. 110-181, require that SIGIR prepare a final forensic audit report "on all amounts appropriated or otherwise made available for the reconstruction of Iraq." Under this requirement, SIGIR has undertaken a series of focused contract audits to examine major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report is the seventh in a series of focused contract audits. It examines reconstruction work contracted by the U.S. government and performed by Parsons Delaware, Inc. (Parsons). In March 2004, the U.S. Army Corps of Engineers, on behalf of the Coalition Provisional Authority, awarded Parsons a cost-plus award-fee contract (W914NS-04-D-0009) to provide design and construction services in Iraq's security and justice sector.

This contract was one of ten design-build construction contracts approved by the Deputy Assistant Secretary of the Army for Policy and Procurement to provide an overarching framework of construction capability to restore the Iraqi infrastructure. The contracts were issued in six defined work sectors, including the water, oil, transportation, and electric sectors. The contracts

were competitively awarded and included a two-year base period with three one-year option periods. This contracting approach was intended to allow continuity of operations and facilitate re-competition after the completion of these contracts.

A variety of U.S. agencies have been responsible for program management and contract management of this contract. Initially, the CPA's Program Management Office (PMO) had program management responsibilities; however, in May 2004, the Project and Contracting Office (PCO) replaced the PMO and took over those responsibilities. In October 2006, the U.S. Army Corps of Engineers, Gulf Region Division (GRD) replaced the PCO. In November 2004, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) assumed contract management responsibilities from the CPA.

Because of the large number of program and contract management offices involved and the changes in responsibilities, SIGIR refers collectively to these offices as "U.S. government." Funding for this contract was provided by the Iraq Relief and Reconstruction Fund (IRRF) and the Development Fund for Iraq.

**Limitation on the audit.** The scope of the audit work was limited by incomplete contract documentation. SIGIR contacted a number of responsible contracting offices, but at the conclusion of the review the U.S. government has been unable to locate the files for the contract bid and award process. Most recently, officials at the Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology informed SIGIR that they would make inquiries to assist in

locating the contract award files.

SIGIR also could not locate inventory records for items purchased by the contractor in support of construction activities. The exact value of inventory purchased to support the task orders is unknown. However, under Task Order 8, the value of inventory purchased for one project, the An Nassriya Corrections Facility project, was approximately \$3 million. Without proper accountability, inventory purchased to support task orders is vulnerable to loss and theft.

During this review, the SIGIR audit team did not visit project construction locations; however, SIGIR has visited Parsons construction sites on other audits and inspections. This report includes information from that work. Because of the passage of time since work on this contract was completed, SIGIR could not locate individuals who worked directly on the contract during the construction period to discuss contract history or project management issues. Consequently, SIGIR relied primarily on the contract files and discussions with current contract officials to accomplish this work.

## Results

Far less was accomplished under this contract than originally planned: only about one-third of the planned projects were completed. Although the failure to complete some of the work is understandable because of its complex nature and the unstable security environment in Iraq, millions of dollars in waste are likely associated with incomplete, terminated, and abandoned projects under this contract. However, precise amounts of funds expended for projects that have not been



completed are not easily aggregated because of the uncertain future of incomplete projects. Some measure of the potential for funds expended for which there was not a usable facility is suggested by the fact that slightly more than \$142 million, or almost 43% of the contract's disbursed funds, were spent on projects that were either terminated or canceled, although a number of projects were subsequently completed. Contract management weaknesses also played a key role in the contract outcomes.

As of May 21, 2008, almost \$333 million had been disbursed against the contract's \$900 million construction ceiling,<sup>747</sup> and an additional \$34 million was obligated for the settlement of claims made by Parsons and its subcontractors.<sup>748</sup> Of the 56 task orders issued under the contract, 3 were for mobilization, program support, and contract closeout; 53 were for construction projects.

Of the 53 construction project task orders, 18 were completed, 7 were partially completed before being terminated for the U.S. government's convenience, 2 were terminated for default, and 26 were canceled before any significant construction activity.<sup>749</sup> The U.S. government cited repeated delays in construction as the reason for terminating seven task orders for convenience and two for default. In June 2007, the U.S. government, citing security concerns, abandoned the partially completed Kahn Bani Sa'ad Corrections Facility—one of the defaulted task order projects. This decision was made after the U.S. government disbursed approximately \$40 million against project costs, and the project was reported to be approximately 52% complete. Of this amount, \$31 million was paid to Parsons,

and \$9 million was paid to other contractors. Parsons received no award fee on this task order. The entire amount disbursed for this project may ultimately be wasted because the GOI has no plan for completing or using this facility.

The other task order terminated for default was Phase I of the An Nassriya Corrections Facility. The project included the construction of 2 maximum/medium-security buildings and 13 other administrative and operations buildings at the An Nassriya site. The task order called for completion of construction in November 2005. In July 2006, after repeated delays in construction, the government terminated the task order for default. At termination, the two security buildings were approximately 45% complete, and the remaining 13 buildings ranged from 26% to 48% complete. A total of \$30,998,481 was disbursed in payment for this work, and about \$17 million in obligations still needs to be settled. Further, SIGIR was unable to determine the status of about \$3 million in property purchased under this task order, including four armored vehicles valued at \$150,000 each. Parsons received no award fee on this task order.

After terminating the task order, the government awarded a short-term bridge contract to Parsons' subcontractor for continuity of operations. It also awarded a contract for the remaining work on Phase I to a different Iraqi contractor. The bridge contract and the follow-on contract had a total value of approximately \$16.5 million. Phase I of this project, the same phase started by Parsons in 2004, was completed by the follow-on contractor and turned over to the GOI in May 2008. As of May 21, 2008, disbursements for

## SUMMARY OF TASK ORDER OUTCOME AND COSTS, AS OF 5/21/2008

TASK ORDERS	NUMBER OF TASK ORDERS	OBLIGATIONS	DISBURSEMENTS	PERCENT OF CONTRACT DISBURSEMENTS
Administrative Task Orders for Mobilization, Program Support, or Closeout <sup>a</sup>	3	\$57,491,471	\$57,491,247	17%
Canceled Task Orders <sup>b</sup>	26	\$5,874,409	\$5,884,037	2%
Completed Task Orders	18	\$133,672,928	\$132,830,287	40%
Task Orders Terminated for the Government's Convenience	7	\$92,204,702	\$74,368,239	22%
Task Orders Terminated for Default	2	\$77,148,414	\$62,055,678	19%
<b>Totals</b>	<b>56</b>	<b>\$366,391,924</b>	<b>\$332,629,488</b>	<b>100%</b>

Source: SIGIR analysis of JCC-I/A contract data, May 2008.

<sup>a</sup> Administrative costs are understated because program support costs were charged directly to project task orders before November 2004.

<sup>b</sup> Disbursements for canceled task orders exceed obligations by \$9,628. This amount is attributable to Task Order 46. JCC-I/A is aware of this difference and is researching it.

TABLE 3.2

work performed by Parsons, the bridge contract, and the new contract totaled \$47,491,742—about 4% more than the original estimate—with almost \$17 million in obligations still to be settled.<sup>750</sup>

Table 3.2 shows the estimated cost at definitization and the current obligation and disbursement status for each group of task orders.<sup>751</sup>

Although all task orders under the contract have been completed, terminated, or canceled, the contract costs are not final until the contractor's claims are settled and the required audits have been completed.

The terminated and canceled task orders accounted for \$142,307,954—almost 43% of the contract's \$332,629,488 in disbursements. In many cases, terminating or canceling a task order should not be construed as a negative action. Depending on the facts and circumstances, termination or cancellation may be the best business decision the government can make. Some of the terminated task orders had substantial work completed before their termination, and two of the task orders with disbursements of approximately \$98.7 million were subsequently completed by other contractors. A JCC-I/A presentation shows that only 30% of the task orders awarded under the Parsons contract were completed to their full scope of work.

Table 3.3 shows the outcome for the 27 completed or terminated task orders by the type of facility constructed. The most successful projects

were for the construction of border control facilities and other security-related facilities. Projects for the construction of fire stations, police facilities, and courthouses had less successful outcomes.

The following summarizes what SIGIR found by type of facilities:

**Border Control Facilities.** Eight task orders were awarded to build border control facilities, and all eight were completed with disbursements of \$76 million—about 23% of the total disbursements under this contract. SIGIR reviewed the three largest task orders (Task Orders 3, 34, and 36) and found that they called for the construction of 123 facilities at an estimated cost of about \$57 million. Ultimately, 114 border control facilities were constructed under these task orders, with disbursements of about \$63 million, as of May 21, 2008.

**Police and Civil Defense Training Facilities.** Three task orders were awarded to build police and civil defense training facilities, and one was completed. Two task orders to construct the Baghdad Police Academy were terminated for the convenience of the government because of repeated delays, the failure to remediate construction deficiencies, and increasing costs. At termination, most of the buildings at the Baghdad Police Academy were approximately 95% complete; a dining hall was approximately 75% complete, and the gymnasium was approximately



## TASK ORDER OUTCOME, BY TYPE OF FACILITY

TYPE OF FACILITY	NUMBER OF TASK ORDERS	TASK ORDERS COMPLETED	TASK ORDERS TERMINATED
Border Control Facilities	8	8	0
Police and Civil Defense Training Facilities	3	1	2
Corrections, Courthouses, and Municipal Facilities	5	3	2
Fire Stations	7	2	5
Other Security-related Facilities	4	4	0
<b>Totals</b>	<b>27</b>	<b>18</b>	<b>9</b>

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

TABLE 3.3

55% complete. A total of about \$56 million was disbursed as of May 21, 2008, under the task orders. The award fee paid to Parsons for work on these tasks order was \$3,568,303—approximately 51% of the total award fee available.

After Parsons was terminated, the responsibility for contract management transferred from GRD to the Air Force Center for Engineering and the Environment. The Center awarded a \$9 million contract to a different contractor to repair defective work under the original contract and to complete the facilities. Some problems could not be fixed, however. For example, the failure to properly install expansion joints could not be remediated, and in several buildings the plumbing deficiencies were so significant that the water had to be turned off and a separate building erected for shower and lavatory use.

**Corrections, Courthouses, and Municipal Facilities.** Five task orders were awarded for corrections, courthouses, and municipal facilities (Task Orders 7, 8, 50, 52, and 54), and three were completed. Two task orders for the construction of prisons were terminated for default. Approximately \$85 million was disbursed on these five task orders as of May 21, 2008. The

completed task orders were for the construction of the Iraqi Special Tribunal (\$19 million) and the Central Court in Baghdad (\$4 million).<sup>752</sup> The government's original estimated cost for the Iraqi Special Tribunal was \$12,658,294, but disbursements totaled more than \$19 million as of May 21, 2008, because of administrative changes, scope and funding changes, and cost overruns. The award fee paid to Parsons for this task order was \$1,232,765—79% of the available award fee. In March 2006, a Department of Justice project engineer noted significant deficiencies in the construction of the Iraqi Special Tribunal. To correct these deficiencies, the Department of Justice awarded more than \$2 million in additional contracts to other contractors.

The two task orders terminated for default were the Kahn Bani Sa'ad Corrections Facility and Phase I of the An Nassriya Corrections Facility. In June 2007, the U.S. government, citing security concerns, abandoned the partially completed Kahn Bani Sa'ad Corrections Facility after approximately \$40 million had been disbursed. The An Nassriya Corrections Facility was terminated after approximately \$31 million had been disbursed. This project was subsequently

awarded to another contractor and completed.

**Fire Stations.** Seven task orders were awarded for the construction of fire stations, of which only two were completed. Five task orders were terminated for the convenience of the government. Approximately \$23 million was disbursed for these seven task orders—about 7% of total disbursements under this contract. SIGIR reviewed the largest task order, Task Order 51, which called for Parsons to design and construct 21 fire stations in Anbar and Baghdad. Because of multiple delays and cost increases, the U.S. government reduced the number of stations to be constructed to 11. Later, another fire station was eliminated before construction began because of land ownership issues, and a second was terminated for the convenience of the government after it was bombed twice during construction, leaving nine. In 2006, Parsons completed the nine fire stations and transferred them to the GOI. The award fee paid to Parsons for work on this task order was \$296,294—23% of the total available award fee.

**Other Security-related Facilities.** Four task orders were awarded for other security-related services (Task Orders 14, 15, 47, and 48), and all four were completed with disbursements of about \$26 million—about 8% of total disbursements under this contract. Key projects include the National Iraqi Police Service Counter Terrorism Training Facility (with disbursements of almost \$8 million), the Taji Military Training Facility (almost \$9 million), and the Dignitary Protective Service Academy (about \$9 million).

SIGIR's work identified significant weaknesses in the U.S. government's oversight of the contract. These weaknesses created an environment that

was conducive to waste and inefficiency, as evidenced by the large number of project terminations and cancellations. The weaknesses include a high turnover of contracting officers, a heavy contracting officer workload, missing records, and failure to follow up on construction deficiencies. More specifically:

- The government's contracting and program management oversight was hindered by high personnel rotation. More than 18 contracting officers worked on this contract over its two-year life from award to termination, which resulted in poor continuity of operations, lack of historical knowledge specific to the contract, and weak working relationships between the U.S. government and Parsons.
- The government's contracting and project management officials had an excessively high workload, with responsibility for a significant number of contracts, many with multiple task orders. Although SIGIR could find no criteria detailing the number of contracting and project management staff that should be assigned to a contract, a JCC-I/A official said that a contract the size of the Parsons Security and Justice contract in the United States might have 50-60 contracting professionals assigned, including administrative contracting officers, contracting specialists, and contracting officer representatives. Yet only 10 to 12 contracting officers and specialists were working on the Security and Justice contract in Iraq, according to a senior contracting officer. This workload appears to have prevented contracting officials from devoting the time and attention necessary to properly oversee the contract.
- SIGIR found no evidence that the U.S. gov-

ernment tracked construction deficiencies to ensure that Parsons remediated faulty work on a timely basis. The review identified multiple incidents in which contracts were later awarded to fix construction deficiencies in the original contractor's work.

### Recommendations

SIGIR recognizes that GRD bears limited responsibility for issues identified in this report because many of these issues occurred before GRD assumed responsibility for the contract. Nonetheless, Parsons left Iraq approximately two years ago, and responsibility for closing this contract now lies with GRD and JCC-I/A. Consequently, SIGIR recommends that the Commanding General, GRD, and the Commander, JCC-I/A, take action to locate the property records and ensure that property purchased by Parsons and paid for by the U.S. government under the contract is tracked and accounted for through its final disposition, in accordance with the Federal Acquisition Regulation.

SIGIR also recommends that the Commanding General, GRD, and the Commander, JCC-I/A, locate the contract award file and ensure that it is included in the master contract file.

### Lessons Learned

The reconstruction projects under this contract were executed in unstable security conditions and were beset by funding uncertainties, insufficient contract management and oversight personnel, and unrealistic timelines. Because of poor security conditions and limited personnel resources, it was difficult for responsible government officials to visit project sites, plan and

define project requirements, and oversee contractor performance once construction began. These conditions created a high-risk contracting environment and approaches that ultimately led to a high level of project failure and waste. SIGIR has identified the following lessons that the U.S. government should consider before undertaking reconstruction projects in a similar contingency environment:

- In operation plans, the government should include reconstruction risk guidance specific to the operation—including risk-benefit analysis guidelines, if possible—that commanders and civil agency managers can use to guide their reconstruction planning and management decision-making process. These guidelines at a minimum should address the degree of risk that is acceptable as it relates to an operation's reconstruction goals and federal resource stewardship responsibilities.
- Commanders should avoid initiating projects without comprehensive preconstruction planning, including realistic and well-defined work scopes and cost and schedule estimates, unless strategic objectives are deemed to outweigh the risks of project failure. In such situations, the projects should receive the explicit approval of senior commanders or government managers before initiation.
- If the government decides to undertake a high-risk construction project, it should prepare a comprehensive and independent government estimate that accurately identifies the costs associated with the project, particularly those costs associated with the accepted risk. This information should be a mandatory part of the risk-benefit analysis.

- If government oversight and surveillance of project activities is impeded to any significant degree by security concerns, senior management should be made aware and construction should continue only when strategic objectives are deemed to outweigh the risks of project failure.

### **Management Comments and Audit Response**

GRD provided comments and stated that it concurred with the recommendations in the report. GRD also stated that it took exception to the use of the word “waste” throughout the report when used to describe incomplete, terminated, and abandoned projects. SIGIR considered this comment and revised certain language to clarify the message. Specifically, SIGIR believes that waste can occur if incomplete and terminated projects are not ultimately finished and used by the Iraqi government. GRD’s comments are printed in their entirety in Appendix E of the report. GRD also provided technical comments that are addressed in the report where appropriate.

### ***Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts*** (SIGIR-08-020, JULY 2008)

#### **Introduction**

May 2003 marked the end of U.S. combat operations to defeat Saddam Hussein’s military forces and the beginning of U.S. efforts to provide reconstruction assistance to Iraq. The Coalition Provisional Authority (CPA) was created as the interim managing body for governance and reconstruction activities. The U.S. Congress initially appropriated about \$3.45 billion for initiatives to

reconstruct Iraq; of this amount, \$2.475 billion was provided by Public Law 108-11<sup>753</sup> to establish the Iraq Relief and Reconstruction Fund (IRRF). In November 2003, the Congress passed the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan (Public Law 108-106). The act provided additional funding for reconstruction activities and also created the Office of the CPA Inspector General (CPA-IG), which in October 2004 became the Special Inspector General for Iraq Reconstruction (SIGIR).

Since the initial congressional appropriation, other appropriated funds have financed a broad array of reconstruction activities—from building hospitals to improving the capacity of the Iraqi ministries to govern, manage their finances, and maintain and sustain U.S. reconstruction projects. As of July 2008, the U.S. Congress had appropriated approximately \$50 billion for all relief and reconstruction activities.

As of July 30, 2008, SIGIR and its predecessor (CPA-IG) have issued 122 audit reports. SIGIR has reported on the management and implementation of almost every aspect of reconstruction activities, including building projects, anticorruption programs, and the development of a financial management information system to support ministry decision-making. A number of these reports have identified important lessons learned to apply to future reconstruction efforts and recommendations to improve ongoing activities. To date, SIGIR has also issued three special reports presenting lessons learned in human capital management, contracting and procurement, and program management.

After five years of reconstruction and during

a critical year in which many completed reconstruction projects will be transferred to the GOI, SIGIR evaluated its overall body of audit work to identify additional steps to consider for the government that would be useful to the Executive Branch and the Congress for managing reconstruction activities. Therefore, this report looks across the totality of SIGIR audit reports and identifies the broad, key, recurring management issues that—if better understood—may help guide improvements in the ongoing Iraq reconstruction efforts. Further, without adequate advance preparation to address them, these issues could continue to be problems if the U.S. government becomes involved in similar reconstruction efforts in the future.

## Results

SIGIR identified four broad recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audit work:

- The need to better understand the problems associated with implementing reconstruction programs in an unstable security environment.
- The impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects.
- The importance of anticipating staffing needs and reducing staff turnover.
- Recognition of how essential working closely with host governments is to the long-term success of U.S. investments in reconstruction projects.

Understanding these issues is critical to avoid repeating them in the future, under similar con-

tingencies. Their prevalence in Iraq contributed significantly to reduced program effectiveness and increased the potential for fraud, waste, and abuse. The following further illustrates issues identified in SIGIR's work.

**Security.** The U.S. government did not fully anticipate or plan for the unstable working environment that faced U.S. managers when reconstruction began in Iraq. Security issues have continuously permeated and hampered reconstruction efforts across much of Iraq. From the beginning of reconstruction in 2003, U.S. agencies have incurred high costs for security—spending billions of dollars for protection—which has diverted funds from reconstruction projects.

The unstable security environment had other consequences as well, including the sabotage of basic oil and electric infrastructure while the United States was investing to improve the capacity of these industries. SIGIR reported that because of poor security, \$560 million was wasted, resulting from costly repairs to these facilities. In addition, SIGIR also reported at one point that contractors spent an average of almost 12.5% of their reconstruction contract dollars for security. In one case, SIGIR found that 53% of the expenditures to create a financial management information system for GOI were reportedly used for security.

SIGIR reports have also identified other consequences of the security environment. For example, SIGIR found many instances in which the threat of violence prevented U.S. officials from performing quality assurance functions and hampered the work of some Provincial Reconstruction Teams. It was not always clear why the

government chose to continue a project that was being significantly disrupted by security problems. Nor was it clear who was responsible for the decision to continue, and what information was available to support the decision. SIGIR believes that a more deliberate and documented process for supporting the government's decisions is needed.

**Organizational Structures and Processes.** Throughout Iraq reconstruction, poor inter-agency coordination and frequently changing, fragmented organizational structures contributed to delays, increased costs, terminated projects, and completed projects that did not meet program goals. DoD, DoS, and the U.S. Agency for International Development used their own management structures and decision-making processes.

Some of these problems were made worse because the U.S. government changed its organizational structures and shifted program responsibility to other organizations. For example, SIGIR reported in April 2006 that the CPA had spent more than \$104 million on programs to secure Iraqi oil and electrical infrastructure, but had difficulty accomplishing this goal for two reasons. First, three organizations were responsible for program implementation, but none was clearly in charge. Second, changes to the program structure during implementation resulted in changed priorities and program terminations. In another example, multiple agencies are currently implementing programs in ministerial capacity development, economic development, anticorruption, and asset transfer. In each area, agencies implement their own programs—often with little prioritization of projects or cross-agency

planning. Without a carefully integrated set of programs to support the transfer of these assets, the risk that the U.S. investment will be wasted is very high, as SIGIR has reported many times.

**Staffing Concerns.** Problems in U.S. program and project management were exacerbated by two factors:

- not having the right number of people with the right skills to manage the contracting and program management workload
- the rapid turnover of personnel, which resulted in the loss of institutional knowledge

The U.S. government did not come prepared to manage this large construction workload, which led to weak oversight of project management and inadequate quality assurance of projects. In a \$1.8 billion contract, for example, USAID did not have enough personnel to manage construction progress, so it contracted with the U.S. Army Corps of Engineers (USACE) to do the job. Even USACE did not have the skilled people to conduct inspections of the quality of contractor construction against contract specifications. At the mid-point of contract execution, both organizations were staffed at only about half of their planned numbers. This lack of quality assurance raises the risk that funds will be wasted performing costly rework.

**Working with Host Governments.** Finally, SIGIR work shows that U.S. agencies made many decisions about investments without ascertaining Iraqi needs or obtaining the views and buy-in of Iraqi officials. For example, early in the reconstruction program, the CPA decided that the Iraqi ministries needed a financial management information system, but U.S. planners did not



identify Iraqi ministry user requirements. The program was stopped in 2006 when the contractor's project leader was kidnapped. The program was stopped at that time, largely because of a lack of support from GOI officials. In January 2008, USAID officials and the GOI reached agreement to resume implementation of the system.

In another example, managers of the CERP program are concluding that projects were more successful when Iraqi ministries have been involved throughout the lifecycle of the project. Of the projects reviewed in SIGIR audits, there is a clear correlation between the inability of the United States to transfer control of projects, and the lack of Iraqi input in project selection or execution. When a host nation participates and buys in to reconstruction projects from their inception, projects are more likely to be successfully transferred and maintained.

Collectively, these problems have placed the attainment of many U.S. reconstruction goals at risk.

## Steps for the Government To Consider

SIGIR reports have highlighted many lessons learned from specific projects and programs that the U.S. government should consider in planning reconstruction efforts to help reduce the extent of fraud, waste, and abuse while emphasizing program success. Actions to address the broader recurring management issues identified in this report would also be important to consider. Depending on the facts and circumstances of a contingency operation, a number of steps may be needed in key areas to avoid a repetition of the problems identified in this report.

**Security.** SIGIR identified these actions to consider:

- Develop plans to secure basic infrastructure—such as oil, gas, and water—until the capabilities of the host government can be developed.
- Develop guidance on project risk for managers to assess the merits of funding a project faced with security threats.
- Evaluate the practicality of proceeding quickly with large-scale construction projects when the risk of sabotage may divert funds from construction to security and may threaten the effectiveness of the investment.
- Prepare a comprehensive and independent government estimate for high-risk construction projects that accurately identifies the costs associated with the project—particularly those costs associated with the security risk. This information should be a mandatory part of the contract file.
- Proceed with the project only when senior management specifically determines that strategic objectives outweigh the risks of project failure if government oversight and surveillance activities are impeded to any significant degree by security concerns.

## Organizational Structures and Processes.

SIGIR identified these actions to consider:

- Clearly define the management roles, responsibilities, authority, and accountability for program decision-making and ensure management continuity.
- Develop an integrated organizational structure for contingency reconstruction efforts that clearly recognizes the complicated interrela-

tionships between program elements and the success of U.S. program goals. When multiple agencies are participating, the Secretary of State, Secretary of Defense, the Director of USAID, and other agencies as applicable should delineate which lead agency will be in charge of each program element and which agency will be in charge of the overall management and execution of programs.

- Frame an organizational structure that can withstand an extended duration, if needed, to minimize the resulting disruptions and loss of management continuity. An assessment may be appropriate to understand the reasons for the many organizational changes associated with reconstruction efforts and identify actions that may be taken to reduce them in a future contingency operation.
- Ensure management controls over the expenditure of U.S. funds by requiring integrated financial management information systems to support managerial decision-making and to provide the Congress with better information about how U.S. funds are being spent.
- Require that all agencies spending reconstruction monies from any source provide agreed-on contracting information into a single management information system.

**Staffing Concerns.** SIGIR identified these actions to consider:

- Develop criteria for determining staffing needs so that agencies start with the right people and the right skills.
- Take steps to contain high staff turnover to the extent practical and implement processes to ensure appropriate transfer of program

knowledge when turnovers occur to better ensure program continuity. This is another case where more detailed assessment of personnel turnovers in advance of a contingency may be needed to more effectively deal with this issue.

**Working with Host Governments.** SIGIR identified these actions to consider:

- At the outset of reconstruction efforts, implement procedures that enable close coordination with the host government to help ensure that reconstruction projects are consistent with needs and to maximize buy-in resulting in acceptance and maintenance of donor-funded projects.
- Obtain initial project buy-in from and systematically work with host-government officials through construction and preparations for transfer to the host government.

SIGIR presents these steps as actions that may be needed or considered—not as specific recommendations. Currently, SIGIR is completing a more comprehensive report on the history and evolution of planning for and management of Iraq reconstruction, which will be issued later this year. The report will provide a number of specific recommendations related to planning for and implementing reconstruction activities in a contingency environment.

### **Management Comments and Audit Response**

The U.S. Ambassador, Iraq, in commenting on a draft of this report, expressed agreement with the issues identified in the report and steps to be considered for the future to avoid repetition of



the problems identified. The Ambassador noted, as did the SIGIR report, the impact of an unstable security environment on reconstruction project management. At the same time, he expressed concern about the absence of information in the report concerning limitations in the capacity of Iraqi governmental institutions to deal with all aspects of project planning and execution and security; and a lack of coverage of steps the U.S. government has taken to improve interagency coordination and deal with the transfer of completed reconstruction projects to the GOI. Although this report does not address GOI capacity issues in depth, it does address challenges related to asset transfer issues, some of which SIGIR recognizes as being capacity-related, as well as the need for improved coordination among all affected parties. SIGIR has reported separately on capacity building and asset transfer issues and plans additional reporting in the future on steps being taken in these areas.

### ***Comprehensive Plan Needed To Guide the Future of the Iraq Reconstruction Management System***

*(SIGIR-08-021, JULY 2008)*

#### **Introduction**

This report addresses the Iraq Reconstruction Management System. Public Law 108-106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, created the \$18.4 billion Iraq Relief and Reconstruction Fund (IRRF), and established a requirement for the IRRF-implementing agencies to submit reports to the Congress on how the funding was being used. To

meet this reporting requirement, the law provided \$50 million “to be used to fulfill the reporting and monitoring requirements of this Act and for the preparation and maintenance of public records required by this Act.” The management information system developed to meet the IRRF reporting requirements is known as the Iraq Reconstruction Management System (IRMS).

SIGIR initiated this review to assess the overall management, policies, procedures, uses, and benefits of the data system. However, in the course of conducting the audit work, SIGIR learned that the U.S. Army Corps of Engineers, Gulf Region Division (GRD) is preparing a draft plan for the future of IRMS. Consequently, SIGIR issued this report to alert management of certain issues that SIGIR believes need to be addressed when assessing the future of IRMS.

#### **Issues for Consideration During Planning**

IRMS is the only source of aggregate data on the activities and accomplishments of the multiple agencies supporting the U.S. government’s reconstruction efforts in Iraq. According to senior officials in U.S. Mission-Iraq and Multi-National Corps-Iraq, IRMS data is essential to reporting and analyzing the U.S. government’s accomplishments. Without IRMS, the effort and resources required to acquire the same data would be significantly greater.

However, IRMS is four years old; its hardware and software systems are becoming obsolete and need immediate management action to sustain reporting capabilities. According to GRD officials, IRMS has had few major system upgrades, and many of its critical system components are

no longer under warranty. In some cases, the manufacturer no longer supports the system. As its software becomes obsolete, IRMS becomes more complex and less efficient. Without appropriate action, the Congress, DoS, and DoD risk losing the only integrated management information on Iraq reconstruction projects.

A working group comprising IRMS users and GRD—which provides operations and maintenance support for IRMS—has acknowledged the problems and is currently assessing the system and its future. As part of this effort, GRD has prepared a draft plan, the “USACE-GRD Iraq Reconstruction Management System Refresh or Migration Charter,” which examines options for the future of IRMS. In mid-April, the draft plan was presented to senior GRD leadership for consideration. This assessment and the resulting plan offer an opportunity to enhance the usefulness and quality of information generated by the system. To help support the planning effort, SIGIR provides discussions of a number of issues, including organizational accountability, data quality, funding, and system transfer to the GOI.

**Organizational Accountability.** Currently, no executive level leadership level has the mandate to coordinate and, as required, the authority to compel implementing agencies to take key actions, such as entering project data in IRMS. According to GRD and members of the IIWG, any major changes to the IRMS are coordinated through the IIWG, but GRD incorporates day-to-day operations, maintenance, and system enhancements as necessary. The IIWG assumed the de facto oversight and overall management role for the system with mixed success, but no agency has accepted or been assigned responsi-

bility as the executive agent for the system. As the system continues to develop, and organizations and missions evolve, establishing an executive agent for IRMS or its replacement will become even more critical.

Executive leadership to support the development and use of a joint management information system would provide these benefits:

- provide long-term leadership and strategic guidance on IRMS requirements
- budget for necessary resources and funding to support system requirements
- resolve issues for the IIWG as necessary
- coordinate with the other implementing agencies at the executive level when necessary

**Data Quality.** IRMS data suffers from a lack of consistency, accuracy, and completeness—even though GRD makes a good effort to ensure data accuracy. SIGIR has previously reported that the system does not include complete project data from all agencies involved in reconstruction activities because the executing agencies were not regularly entering their data into IRMS. For example, as of early January 2008, approximately \$35.3 billion of funds in the IRRF, Iraq Security Forces Fund, Economic Support Fund, and Commander’s Emergency Response Program were obligated; however, IRMS contained data on only \$25.08 billion in projects—71% of the obligations—as of January 2008.

The data quality problems occur because the evolution and growth of IRMS has required numerous changes, patches, and business rule modifications, each adding complexity and decreasing the efficiency of the system. GRD officials acknowledged that IRMS is known to

contain inconsistent and incomplete data in several areas. GRD officials told SIGIR that the complexity of the system was one cause of the problems, as were the business rules that must be established to allow interfaces necessary to obtain data from supporting systems. As IRMS grew more complex and system enhancements were added, some trade-offs in data consistency and completeness had to be made to allow for the required interfaces.

Despite the challenges of the current system, requests for additional enhancements continue to emerge. IRMS has demonstrated the need for a joint management information system to collect aggregate data that can provide a common operating picture across supporting agencies in similar civil-military operations.

**Funding Responsibility.** Future responsibility for funding the operations and maintenance (O&M) of IRMS has not been determined. Since 2005, GRD has funded the O&M costs as agreed to in the Memorandum of Understanding signed by the IRMS users. GRD officials provided documentation showing that operating and maintaining IRMS costs approximately \$4 million annually, excluding software or hardware upgrades. According to GRD officials, over the next few years, the U.S. Army Corps of Engineers is expected to change the organizational structure of GRD significantly. If this transition occurs, the fiscal and technical support needed for IRMS or its replacement might not be available.

**Transferring Information.** Although not required by law, an initial objective of IRMS was to serve as a vehicle for transferring information on U.S. reconstruction projects to the GOI. As envisioned, the GOI would use IRMS to obtain

warranty information, operating manuals, blueprints, cost data, and other key project information needed to operate and maintain the projects and to leverage their value for international loans. In September 2005, DoS and GRD agreed to develop a transition strategy that would identify system specifications, an assessment of required capability, and an estimate of sustainment costs. However, the strategy was never developed. Instead, a monthly file is used to transfer IRMS data to the GOI using the UN-sponsored Donor Assistance Database system. This plan offers the opportunity to consult with the GOI regarding project information and to assess whether IRMS has any potential as a tool for meeting data-transfer requirements.

## Recommendations

To provide the necessary senior leadership to support the development and use of a management information system that meets the needs of its stakeholders, SIGIR recommends that the U.S. Ambassador to Iraq and the Commanding General, Multi-National Force-Iraq, jointly direct the establishment of an interagency planning process to address the future operation and use of IRMS. Also, SIGIR recommends that the plan address the following:

1. An accountability structure for managing IRMS with assigned leadership for developing a coordinated management plan for the future; and authority to resolve differences between the reconstruction implementing agencies—to ensure the consistency, accuracy, and completeness of IRMS data; and ensure the system's ability to meet the current and future Iraq reconstruction data requirements of its users,

including the Congress. Some key steps needed include:

- a. Appoint an executive agent to take the lead in developing a coordinated management plan that addresses the future of IRMS.
  - b. Direct that the executive agent, in preparing the plan, conduct a systems analysis to identify deficiencies in the integrity, accuracy, and completeness of IRMS data. Also, identify steps to ensure that the deficiencies are not carried forward into a new or revamped system.
  - c. Assess the current and future reconstruction information requirements for system stakeholders, including the Congress, as well as the need for a common operating picture.
  - d. Determine whether to upgrade the current system to a new baseline, develop a replacement system that will meet the defined requirements, or come up with an alternative method that will provide complete, accurate, and consistent data.
2. Identify funding requirements and sources for developing and implementing the future system and for the continued support of IRMS or its replacement.
  3. Decide whether to use IRMS as the vehicle for transferring reconstruction data to the GOI, and, if so, develop a formal agreement with the GOI on the expected format of the data and the required system components.

### **Matter for Congressional Consideration**

In prior reviews, SIGIR has noted that IRMS was not providing complete information on the Iraq

reconstruction program. In this report, SIGIR recommends the development of an interagency process to plan the future use and operation of IRMS. Because the Congress established the requirement for reconstruction information, the Congress may request the Secretary of State and Secretary of Defense to provide a copy of the plan.

### **Management Comments and Audit Response**

GRD provided written comments on a draft of this report but did not express an overall view on the issues that SIGIR identified. According to GRD, it has initiated a study of IRMS that will consider factors such as the system's age, compatibility of hardware platforms, software, and network infrastructure. The study will also provide GRD with recommendations for the future needs of stakeholders. GRD also said that the IIWG will continue discussing the future of IRMS at its meetings and that future discussions will focus on appointing an executive agent to take the lead in developing a coordinated management plan that addresses the future of IRMS, and identifying funding requirements and sources for developing and implementing the future system and for the continued support or replacement of IRMS.

MNSTC-I, JCC-I/A, and USAID provided informal comments that SIGIR considered in finalizing the report.

The U.S. Embassy and MNF-I did not respond, and SIGIR continues to believe that there is a need for joint action by the Ambassador and Commanding General, MNF-I, to fully address

the recommendations. SIGIR plans to continue monitoring reconstruction reporting.

## ***Government of Iraq Increasingly Funding Iraq Security Forces Infrastructure Development, but Substantial U.S. Support Remains***

(SIGIR-08-022, JULY 2008)

### **Introduction**

Recently, the a congressional committee raised concerns that significant U.S.-appropriated money from the Iraq Security Forces Fund (ISFF) continues to be spent on infrastructure<sup>754</sup> projects related to developing the Iraqi Security Forces and that the GOI should shoulder more of the financial burden for infrastructure development. This issue gained particular attention when DoD proposed to realign \$590 million of FY 2007 ISFF funds to infrastructure development from other ISFF accounts.

Because of the congressional interest, SIGIR evaluated:

- the status of U.S.-appropriated ISFF funds used for infrastructure projects in Iraq, including factors affecting program execution and use of these funds and spending plans for unobligated funds and unliquidated obligations
- the factors indicating and affecting a shift toward greater use of Iraqi funding to support Iraqi Security Forces infrastructure projects

### **Results**

Approximately \$4.7 billion (30%) of all U.S. funds appropriated for the ISFF have been programmed for infrastructure projects. As of June 30, 2008,

\$944.6 million remains unobligated in the infrastructure sub-activity group, of which \$791.1 million is available for new obligations. The remaining unobligated funds have expired and cannot be used for new obligations. In addition, some ISFF infrastructure projects have incurred obligations, but substantial payments have not been made. Some of these projects, such as for construction of police stations, were approved in 2006.

The large amount of unobligated balances, as well as funds obligated but not yet expended, suggest that ISFF-supported construction projects will continue at least into 2010. Also, SIGIR was informed that some planned projects, such as police station construction, may be canceled because of difficulties in securing the land deeds needed to begin construction; this would make additional funds available for other infrastructure projects.

On June 30, 2008, the President signed H.R. 2642, P.L. 110-252, providing an additional \$1.5 billion in FY 2008 supplemental ISFF funds and \$1.0 billion in FY 2009 ISFF funds. Both the FY 2008 supplemental appropriation and the FY 2009 appropriation expire on September 30, 2009. MNSTC-I stated that neither of these two appropriations provides funding for Iraqi Security Forces infrastructure development.

The inability of the GOI to quickly execute its budgets and the need for speedy project execution to take advantage of security gains on the ground have been the key factors creating reliance on the United States to fund and execute infrastructure projects using ISFF. However,

available budget information shows a clear trend toward greater reliance on the GOI to fund such projects, with the United States reducing its ISFF support for infrastructure projects.

### **Matter for Congressional Consideration**

The Congress may wish to examine MNSTC-I's infrastructure spending plans for the remaining ISFF monies that have not yet been obligated or expended to identify further opportunities to transfer funding responsibility to the GOI—either on a full-funding or cost-sharing basis.

### **Management Comments and Audit Response**

The Multi-National Security Transition Command-Iraq stated that it will continue to emphasize and initiate Government of Iraq full funding or cost sharing across all ISFF categories, including infrastructure. It also updated information on the Government of Iraq having obtained necessary land deeds so that planned construction of police stations using ISFF can resume. SIGIR has revised the report to reflect this information.

The Office of the Secretary of Defense-Comptroller provided clarifying comments, which were incorporated in this report.

The Joint Contracting Command-Iraq/Afghanistan responded that it had no comments on the draft report.

### ***Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions but Much Remains To Be Done***

(SIGIR-08-023, JULY 2008)

#### **Introduction**

SIGIR has issued four reports addressing U.S. Embassy efforts to manage a multitude of U.S. government agency anticorruption programs, including those of DoS, the Department of Justice, the U.S. Agency for International Development (USAID), and Multi-National Force-Iraq (MNF-I). In a July 2006 report,<sup>755</sup> SIGIR identified fundamental problems that affected the effective implementation of U.S. anticorruption efforts, such as a lack of coordination and leadership in anticorruption programs.

SIGIR provided 12 recommendations to address these problems and to form the basis to determine progress in improving management. For example, SIGIR recommended that DoS appoint a senior leader to direct the anticorruption program and provide continuity in program administration and that a steering group be established to provide oversight over program management and ensure that all are working toward a common goal in an efficient and effective manner.

In the April 2008 report,<sup>756</sup> SIGIR discussed how the U.S. Embassy had implemented actions to address two recommendations, but that actions were still needed to fully address the remaining ten.

SIGIR's objectives for this report were to determine:

- DoS progress in implementing its revised anticorruption management plan and addressing



- previous SIGIR recommendations
- the anticorruption efforts of the GOI

This report was conducted as SIGIR Project 8023.

## Results

Reducing corruption in Iraq will be a difficult and lengthy process, requiring a sustained commitment by all parties. Recent actions by DoS and U.S. Embassy-Baghdad indicate continued commitment to improving the management of the U.S. anticorruption program. Importantly, SIGIR determined that the Embassy has fully addressed 3 more of SIGIR's previous 12 recommendations: 5 recommendations are now closed. Some work has also been accomplished toward addressing the seven open recommendations; however, much remains to be accomplished to fully establish and implement a comprehensive and effective program. Managers need to improve the existing program strategy and to address staffing and financial shortages. Coordination between U.S. civilian and military anticorruption efforts also needs to improve.

The U.S. anticorruption strategy that was produced in June 2008 is partially responsive to SIGIR's audit. However, the strategy lacks metrics that tie objectives and programs to a goal, as well as baselines from which progress can be measured. Consequently, the U.S. government has not established a basis for assessing the program's impact on reducing corruption in Iraq. This leaves future program investments vulnerable to wasteful spending, ineffectiveness, and inefficiency. SIGIR has other concerns regarding the draft strategy, including:

- The strategy does not capture the lessons learned or best practices from previous U.S. and other donor anticorruption country around the world.
- The strategy does not stipulate either how it supports the GOI anticorruption approach or the extent to which the GOI is committed to the U.S. programs.
- The strategy does not discuss how the United States will address the emerging challenges of provincial leaders.

DoS and the Embassy have not moved aggressively to obtain the necessary program funding. The U.S. Embassy has identified \$10 million in expired IRRF funds as the primary funding source for new programs identified to support anticorruption efforts. These resources would add to existing funding—such as USAID and INL funds—used for anticorruption programs. In February 2008, DoS submitted a request to the Congress for these funds, but the Congress returned the request, asking for additional details on how the money was to be used. As of July 9, 2008, DoS had not resubmitted the request because it was still finalizing a list of anticorruption projects to be funded out of these monies. As a consequence, the program managers are uncertain about the level of resources that will be available to accomplish their mission.

Further, key positions within the program have either not been staffed or were staffed by personnel from other agencies. For example, the Deputy Coordinator program position has not been filled. In the interim, the Embassy has been relying on DoD augmentees to fill vacant positions. Last, frequent rotations of anticorruption



tion personnel have been a continuing concern to management.

As to the issue of oversight, the Anti-Corruption Coordinator (Coordinator) informed SIGIR that informal efforts are undertaken to share information between DoD and DoS entities implementing anticorruption programs, but no formal mechanism requires coordination of DoD efforts with the Anti-Corruption Coordination Office (ACCO). For example, MNSTC-I meets with the ACCO and informs the Embassy of its efforts to bolster anticorruption training and execution in the Iraqi Ministries of Defense and Interior, but are not required to vet its program through the ACCO.

Meanwhile, the GOI must do much more to address corruption, although certain efforts have demonstrated progress. The U.S. Anticorruption Coordinator and the Chairman of the Iraq Joint Anticorruption Council (JACC) informed SIGIR that the improved security situation has increased the confidence of the GOI to begin to address the issue of corruption. For example, the GOI has ratified the UN Convention Against Corruption (UNCAC), which can provide a roadmap to achieve anticorruption goals. Also, the Council of Representatives is currently considering draft legislation updating the mandates of the GOI's three primary anticorruption organizations. Also, GOI officials report progress addressing the 18 initiatives identified in a January 2008 anticorruption conference.

However, U.S. and UN officials remain concerned about the capacity of these organizations. Moreover, intimidation and threats continue to impede effective anticorruption efforts, and cur-

rent GOI regulations continue to have a corrosive effect on the perception of GOI's commitment to aggressively address corruption.

### Recommendations

SIGIR recommends that the Secretary of State expedite actions to provide the required information to the Congress regarding the use of IRRF monies for anticorruption activities.

Because of the importance of ensuring that the GOI is fully committed to anticorruption efforts, and the value of a well-coordinated technical support effort by the U.S. government to support the GOI's efforts, SIGIR recommends that the Ambassador of the U.S. Embassy in Iraq direct that the Coordinator for Anticorruption Initiatives review the U.S. anticorruption strategy to ensure that it contains the following elements:

- recognition of global best practices in anticorruption programs
- integral ties to the GOI anticorruption strategy and the anticorruption sections of the International Compact
- assurances of full GOI commitment and support for the U.S. approach and projects
- clear goals and objectives with criteria to measure progress
- the need for consideration of local anticorruption capacity building
- a prioritization of anticorruption projects based on a strategic analysis of the need and resources available

Moreover, SIGIR also recommends that the Ambassador and the Commanding General, MNF-I, work jointly to ensure that all U.S. gov-

ernment anticorruption programs, regardless of funding source or agency management, are fully vetted through and coordinated with the ACCO.

## Matter for Congressional Consideration

Making meaningful and lasting changes to reduce corruption will require a sustained and lengthy effort by the GOI and all groups seeking to help facilitate the process. Therefore, as the Congress considers future funding for this program, it may want to consider the need for dedicated funding predicated on the Embassy's development of clear anticorruption goals, objectives, and periodic reports on results.

## Management Comments and Audit Response

SIGIR received written comments on a draft of this report from MNSTC-I, and technical comments from the U.S. Embassy-Iraq. MNSTC-I expressed concern about a statement in the draft report that it does not coordinate its anticorruption activities with the ACCO. SIGIR's point was that no one single person or organization is accountable for directing all U.S. government anticorruption efforts. SIGIR acknowledges that MNSTC-I and the ACCO keep each other informed of their respective activities, but MNSTC-I is not required to obtain the ACCO's approval for its activities. SIGIR has added wording to the report to more specifically address MNSTC-I's point on coordination and SIGIR's position on the lack of program accountability.

The U.S. Embassy's Anticorruption Coordinator provided technical comments, which SIGIR has included where appropriate.

## Information on a Special Department of Defense Program to Foster Economic Recovery in Iraq

(SIGIR-08-024, JULY 2008)

## Introduction

Since 2004, SIGIR's mandate was largely tied to the sizeable Iraq Relief and Reconstruction Fund; therefore, SIGIR focused heavily on audits of Iraq reconstruction projects. But in recent years, the Congress has increased SIGIR's oversight authority over other funds that provide support to Iraq relief and reconstruction activities, such as the Economic Support Fund. To respond to this enlarged mandate, SIGIR has begun audits of these other areas, including U.S. economic assistance programs designed to stimulate the Iraqi economy.

This report provides information on the Department of Defense (DoD) Task Force to Improve Business and Stability Operations in Iraq (Task Force) and its efforts to support economic development and recovery in Iraq. Specifically, it provides information on the financial resources devoted to the Task Force and the major areas of economic development assistance, along with examples of completed and planned projects. This is the first of several reviews planned by SIGIR to compare, contrast, and otherwise assess the various economic support initiatives in Iraq that are funded by the United States.

## Results

Since the beginning of the war in 2003, Iraq's unemployment rate has remained at approximately 60%. DoD believes that the large underemployment/unemployment rate is one factor fueling violence in the country. In June 2006, DoD

## KEY AREAS OF FOCUS

FOCUS AREA	STRATEGY	ESTIMATED FUNDING ALLOCATION
Industrial Capacity Restoration	Restart and restore production to idled Iraqi industrial base.	\$52.6 million
Private Investment/Privatization	Facilitate direct investment opportunities from institutions, private equity, and corporations.	Unable to readily determine
Communications Infrastructure	Incentivize the development of necessary wireless and wire-line communications infrastructure capable of supporting economic activity.	\$17.5 million
Direct Economic Stimulus through DoD Contracts	Policies, processes, and systems to support Joint Contracting Command to direct U.S. government contracts to private Iraqi business.	\$13.5 million
Banking and Financial Networks	Incentivize the development of private-sector financial services and associated infrastructure.	\$6 million

Source: DoD Task Force to Improve Business and Stability Operations–Iraq

TABLE 3.4

established a Task Force in the Office of the Secretary of Defense to focus on efforts to stimulate economic development and employment in Iraq. In FY 2007 and FY 2008, the Task Force has received about \$180 million in Global War on Terrorism (GWOT) and other related funding and has requested over \$49 million in the FY 2009 budget to fund its activities. To date, the Task Force reportedly has provided about \$50 million for 53 projects to restart or revitalize 34 state-owned enterprises. State-owned enterprises are factories that played an important role in Iraq's pre-war economy, employing about 15% of the Iraqi population, according to DoD officials. The GOI also has reportedly allocated \$400 million in 2008 for the rehabilitation of state-owned enterprises and has requested similar allocations for 2009 and 2010.

To stimulate economic development, the Task Force has focused on restarting factories, use of U.S. government contracting, private investments, and other efforts. Task Force officials told SIGIR that a specific allocation of funding between the key elements is difficult because funds are placed against efforts that support more than one element. Some of the funding was used for administrative and support items, such as security, life support, and travel. The officials also told SIGIR that it is not possible to derive the precise dollar amount allocated to each of the Task Force's elements.

For the Task Force's economic development efforts and a rough estimate of the funds devoted

to those areas, see Table 3.4.

The Task Force estimates that its overall efforts, in partnership with other agencies, have created about 100,000 Iraqi jobs.

SIGIR makes no recommendations in this report. SIGIR is issuing this report for information purposes to provide an overview of a current DoD effort underway to foster economic development in Iraq. SIGIR plans to continue its evaluation of the effectiveness of this and other economic assistance programs, the effectiveness of coordination among U.S. economic assistance programs, and other issues.

## ONGOING AND PLANNED AUDITS

SIGIR conducts primarily performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits<sup>757</sup> of major Iraq reconstruction contracts to respond to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction.

### ONGOING AUDITS

SIGIR is currently working on these ongoing audits:

- SIGIR-7023: Review of Spending and Performance under Research Triangle Institute (RTI) Contracts
- SIGIR-8003: Review of Spending and

Performance under Kellogg Brown & Root Services, Inc. (KBR) Reconstruction Projects—Oil Sector (focused contract audit)

- SIGIR-8016: Survey of U.S. Government Contracts Related to the Personal Security Functions in Iraq
- SIGIR-8017: Review of Department of Defense Contracts in Iraq with the Aegis Private Security Company
- SIGIR-8018: Review of Quick Response Fund (QRF) and Iraq Rapid Assistance Program (IRAP)
- SIGIR-8019: Joint Review with the Department of State Office of Inspector General of Blackwater Contract and Associated Task Orders for Worldwide Personal Protective Services (Replaces former SIGIR Project 7018)
- SIGIR-8020: Review of Iraq Reconstruction Projects Terminated for Convenience or Terminated for Default
- SIGIR-8021: Survey of Overall Economic Support Fund (ESF) Program Management and Expenditures
- SIGIR-8022: Review of the Transition of Iraq Reconstruction Projects to the Government of Iraq
- SIGIR-8024: Follow-on Review of Iraqi Security Forces Information Provided by the Department of Defense Report Measuring Stability and Security in Iraq
- SIGIR-8025: Survey of Department of State and USAID Contacts and Grants for Democracy-building Projects in Iraq

## PLANNED AUDITS

The National Defense Authorization Act for Fiscal Year 2008 changed SIGIR's audit authority to include all funds devoted to Iraq reconstruction without regard to fiscal year and without being limited to specific appropriation accounts. As such, this changed the scope of a previous legislative mandate for SIGIR to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction before SIGIR goes out of existence. As part of that effort, SIGIR has been completing a series of focused contract audits dealing with outcome, cost, and oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse.

Although those initial reviews focused mainly on funding under the Iraq Relief and Reconstruction Fund (IRRF), future SIGIR reviews will include contracts under other funding sources—such as the Iraq Security Forces Fund (ISFF) and the Economic Support Fund (ESF)—under SIGIR's expanded audit authority. Further, the legislation also gave SIGIR a lead role in developing a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq, in consultation with other inspector generals.

SIGIR has initial audit work underway examining two of the larger private security contractors, Aegis and Blackwater. The latter is a joint audit with the Department of State Office of Inspector General. SIGIR also has a broader

survey work underway to more fully identify contractors and subcontractors providing private security functions in Iraq as it works to develop a comprehensive plan for audits in this area. SIGIR is finding that identifying individual subcontractors is likely to be a continuing effort because the data bases are limited. SIGIR has begun consulting with other inspectors general engaged in Iraq audits as it begins to develop specific proposals for individual audits.

SIGIR's planning for other audit work in Iraq reconstruction will be done in line with its planning for focused contract audits and other

audit work being planned under two key goals contained in SIGIR's strategic audit plan:

- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction
- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction

SIGIR's strategic audit plan can be found at the SIGIR website: [www.sigir.mil/audits](http://www.sigir.mil/audits).



## SIGIR INSPECTIONS

This quarter, SIGIR conducted six project assessments and issued seven reports. Five of the seven reports were assessments of relief and reconstruction work funded under the Economic Support Fund (ESF), and SIGIR assessed one project funded by the Iraq Relief and Reconstruction Fund (IRRF)—the Kahn Bani Sa'ad Correctional Facility. The seventh report reviewed 115 project assessments that SIGIR completed prior to this quarter.

SIGIR conducts two types of project assessments: sustainment and construction assessments. SIGIR's sustainment assessments focus on whether projects delivered to the Iraqis are operating at the capacity planned in the original contract or task order objective. To accomplish this, SIGIR determines whether the projects were at planned capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the assessment. In addition, SIGIR determines whether sustainability was adequately planned for and whether it is likely to continue.

SIGIR's construction assessments address these general questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the contractor's quality control (QC) and the U.S. government's quality assurance (QA) programs adequate?
- Were project sustainability and operational

effectiveness adequately addressed?

- Were the project results consistent with the original objectives?

Since the Inspections program began in summer 2005, SIGIR has completed 122 project assessment reports, 96 limited on-site inspections, and 548 aerial assessments.

As in previous quarters, the tense security situation throughout much of the country impeded Iraq reconstruction projects and SIGIR on-site assessments, significantly limiting access and inspection time while at the project sites.

This quarter, for the first time, SIGIR Inspections assessed activities funded by the ESF:

- Al Shofa Water Facility
- Al Kazim Water Supply
- Nassriya 33-Kilovolt Power Line
- Al Ager Water Compact Unit
- Kirkuk-to-Baiji Pipeline Exclusion Zone—Phase 3

At the time of inspection, the three water projects ranged from being 17%-59% complete, and the construction SIGIR observed appeared to meet the standards of the contracts. The Nassriya 33-Kilovolt Power Line project was 65% complete when inspected, and its construction also appeared to meet contract standards.

The inspection of the Kirkuk-to-Baiji Pipeline Exclusion Zone—Phase 3 project yielded positive results. The project was built in compliance with contract specifications and promotes the growth of the Iraqi economy by facilitating an increase in



## SEVEN PROJECTS ASSESSED THIS QUARTER (\$ THOUSANDS)

PROJECT NAME	ASSESSMENT TYPE	PROVINCE	BUDGETED COST	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Al Shofa Water Facility	Construction	Nassriya	\$349	GRS	ESF	Local	South
Al Kazim Water Supply	Construction	Nassriya	\$493	GRS	ESF	Local	South
Nassriya 33-Kilovolt Power Line	Construction	Nassriya	\$1,538	GRS	ESF	Local	South
Al Ager Water Compact Unit	Construction	Nassriya	\$650	GRS	ESF	Local	South
Kirkuk-to-Baiji PEZ—Phase 3	Sustainment	Tameem	\$3,838	GRN	ESF	Local	North
Kahn Bani Sa'ad Correctional Facility	Construction	Diyala	\$40,497	GRD	IRRF	Parsons	Central
Summary of Project Assessments through 2008	Summary	Various	\$1,600,000	Various	Various	Various	All

TABLE 3.5

the flow of crude oil for export to Turkey and for refining to generate electricity for domestic use and to improve the living conditions of the Iraqi people by making available fuel for heating, cooking, and transportation.

The inspection of the IRRF-funded Kahn Bani Sa'ad Correctional Facility revealed a project that was poorly constructed and prematurely turned over to the GOI without any sustainment planning, which resulted in an abandoned, incomplete facility.

Table 3.5 lists the project assessments that SIGIR completed this quarter. For a complete list of project assessments from previous quarters, see Appendix K.

Figure 3.1 shows the approximate location of each project assessed this quarter, as well as in previous quarters.

## SIGIR PROJECT ASSESSMENT REPORTS

This section summarizes the SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### *Kahn Bani Sa'ad Correctional Facility, Kahn Bani Sa'ad, Iraq*

*SIGIR PA-08-138*

This project assessment was originally initiated to support SIGIR's focused financial review of work performed by Parsons Delaware Incorporated.<sup>758</sup>

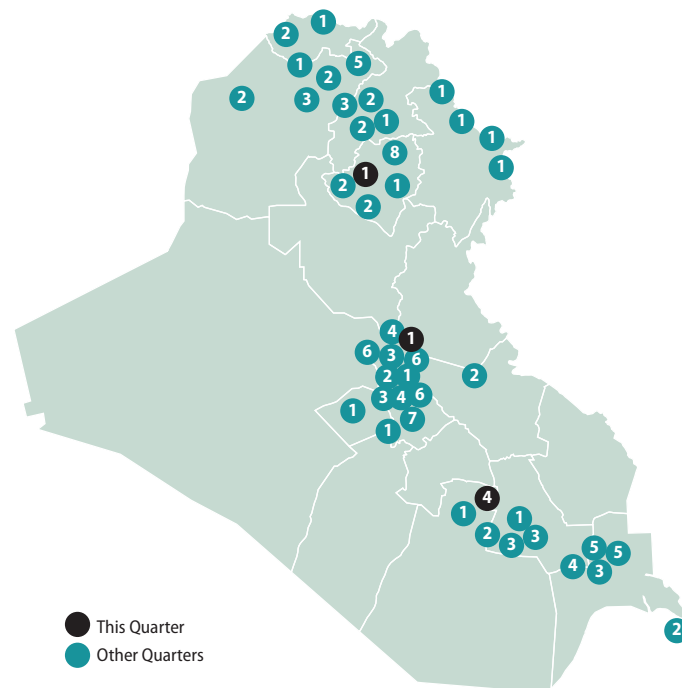
In particular, SIGIR assessed work on the Kahn Bani Sa'ad Correctional Facility project, a \$40 million effort that the U.S. government ultimately terminated for default on the part of Parsons in June 2006. When the project was terminated, Parsons had only partially completed the facility; subsequently, the U.S. government awarded three successor contracts to complete the work. In June 2007, however, citing security issues, the U.S. government terminated all remaining work on the project, leaving more than \$1.2 million in materials at the site.

To verify the current status of the project and the condition of the material, SIGIR visited the Kahn Bani Sa'ad Correctional Facility project site. SIGIR conducted this project assessment in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included a professional engineer/inspector, two auditors/inspectors, and the SIGIR Deputy Inspector General.

Figure 3.1

**PROJECT ASSESSMENTS**

Approximate locations of the 121 projects where inspections were conducted, analyzed, and reported to date.



The objective of the original task order was to increase the number of beds of the Iraqi Corrections Service for the Iraqi Ministry of Justice. The task order would result in the construction of a new secure prison facility to house 3,600 inmates in three types of facilities. The project was designed for phased construction; Phase 1 required the construction of a new facility with a 1,800-bed capacity.

**Project Assessment Objective**

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted. Specifically, SIGIR identified the actions taken since

the project was turned over to the GOI and the current condition of the project.

**Site Visit**

On June 14, 2008, SIGIR performed an onsite assessment of the Kahn Bani Sa'ad Correctional Facility project. When SIGIR visited the site, the facility was neither secured nor occupied by the GOI. SIGIR confirmed that the facility remains in the same condition it was in when it was unilaterally transferred to the GOI on August 1, 2007.

In May 2007, an engineering assessment company inspected the partially completed facility and identified many construction deficiencies in its report to the U.S. Army Corps of Engineers (USACE). During the site visit, SIGIR confirmed



Concrete blocks still onsite at the Kahn Bani Sa'ad Correctional Facility.



Example of exposed rebar and severe concrete segregation and honeycombing at Kahn Bani Sa'ad.

these construction deficiencies, including:

- areas of severe exposure of the reinforcement bar on the surface of the load-bearing concrete ceiling beams
- concrete segregation and honeycombing
- potentially dangerous building columns
- generally poor workmanship

SIGIR inspected the entire Kahn Bani Sa'ad Correctional Facility site in search of the \$1.2 million in materials that the contractor reported as “abandoned” when the contract was terminated. SIGIR observed several stacks of cement blocks and several dozen rolls of chain-link fence; however, most of the reported materials were missing from the site.

### Conclusions

The assessment reviewed the original work of Parsons and the work of the three additional contracts awarded to continue construction of the correctional facility—including rehabilitating the Kahn Bani Sa'ad electrical substation and installing an underground cable feeder line.

**Structural Deficiencies.** An engineering assessment company performed a structural assessment and repair plan for the partially constructed Kahn Bani Sa'ad Correctional Facility. According

to USACE documentation, the facility had “numerous deficiencies in construction to include, but not limited to, poorly mixed concrete, insufficient cover over reinforcement, cracking, and poor concrete placement.”

The structural assessment found significant construction deficiencies in several buildings, including three medium-security buildings, one maximum-security building, and one prisoner-segregation building:

- The medium-security buildings had low concrete strength in many columns, as well as concrete slabs with insufficient thickness.
- The maximum-security and prisoner-segregation buildings had low concrete strength with respect to the concrete block walls, and no reinforcement bar was used in many parts of the wall.
- The structural assessment recommended demolishing one medium-security building and significant portions of the other two medium-security buildings, as well as demolishing all non-reinforced walls.

**Turnover of the Correctional Facility.** In June 2007, the U.S. government terminated the follow-on contractor and authorized leaving more than \$1.2 million worth of materials at



Exterior security fence and guard towers at Kahn Bani Sa'ad.

the site. According to USACE documentation, representatives met with the Deputy Minister of Justice to notify him of the turnover of the Kahn Bani Sa'ad Correctional Facility to the Ministry of Justice and to discuss the planned use of the facility before the turnover. The deputy minister stated that the Ministry of Justice had no plans to "complete, occupy, or provide security for this facility." USACE concluded that "subsequent to 1 August 2007, Kahn Bani Sa'ad will be under the ownership of the Government of Iraq and will no longer be secured."

**Potential Uses for the Facility.** SIGIR believes that the U.S. government and the GOI should make an effort to use the \$40 million investment that the U.S. government has put forth in the Kahn Bani Sa'ad Correctional Facility. Costly portions of the facility are functioning; with additional investment, other portions could also be used.

### Recommendations

SIGIR recommends that the Commanding General of the Multi-National Force-Iraq and the Director of the Iraq Transition Assistance

Office work with the Government of Iraq and the Diyala Provincial Government to identify an Iraqi ministry or element of the Diyala Provincial Government that can make use of the facility.

### Management Comments

SIGIR received comments on a draft of this report from the U.S. Mission-Iraq concurring with the recommendation. SIGIR also received comments from Multi-National Security Transition Command-Iraq that were sent through the Multi-National Force-Iraq concurring with the report and recommendation but requested that the Commanding General, Multi-National Force-Iraq (instead of the Commanding General, Multi-National Security Transition Command-Iraq and the Director of the Iraq Transition Assistance Office) work with the Government of Iraq and the Diyala Provincial Government to identify an Iraqi ministry or element of the Diyala Provincial Government that can make use of the facility. SIGIR concurred with the management comments and changed the recommendations of the final report accordingly.





SIGIR inspectors ensuring that the ditch and berm met contract design specifications on the PEZ project.

### Evaluation of Management Comments

SIGIR concurred with the management comments and changed the recommendations of the final report accordingly.

### *Kirkuk-to-Baiji Pipeline Exclusion Zone—Phase 3, Kirkuk, Iraq*

*SIGIR PA-08-137*

The objective of the project was to reduce oil pipeline interdictions, improve the reliability of crude oil delivery from the Kirkuk oil fields to the Baiji Oil Refinery, and increase exports of northern crude oil via the Iraq-to-Turkey Pipeline.

### Project Assessment Objective

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted. To accomplish this objective, SIGIR determined whether the project was at full capability or capacity when accepted by the U.S. government, when transferred to the appropriate Iraqi

ministry, and when observed during the site visit. Specifically, SIGIR determined whether the completed project was operating at the capacity stated in the objective of the original contract or task order.

For this assessment, SIGIR focused on the most recently completed phase of the project, Phase 3, which the USACE Gulf Region North accepted in May 2008.

### Conclusions

1. On June 7, 2008, SIGIR visited the Phase 3 portion of the Kirkuk-to-Baiji Pipeline Exclusion Zone (PEZ) project. The fences, berms, ditches, concertina wire, and guard houses were in compliance with contract designs and specifications. In addition, during the site visit, SIGIR observed Iraqi Army soldiers manning the guard houses at each road crossing.
2. Since the beginning of construction for the Kirkuk-to-Baiji Pipeline Exclusion Zone in July 2007, there have been no reported interdictions—resulting directly in the substantial rise of northern crude oil exports. From



Guard tower constructed by Iraqi Army on roof of guard house, part of the PEZ project.

July 2007 to May 2008, exports increased by approximately 91.3 million barrels, or approximately \$8.215 billion. When completed, the entire length of the Kirkuk-to-Baiji Pipeline Exclusion Zone project will cost approximately \$34.4 million. In only 11 months, the additional \$8.215 billion in crude oil revenues has provided a 239:1 return on investment.

3. In addition to the increased oil exports, additional supplies of crude oil are now available at Baiji for refining. The growth in supplies of refined petroleum products has contributed to the increase in electricity production and improved the living conditions of the Iraqi people by making fuel available for heating, cooking, and transportation.

### Recommendations and Management Comments

The report did not contain any negative findings or recommendations for corrective action; therefore, management comments were not required. Representatives of the U.S. Army Corps of Engineers, Gulf Region Division reviewed a draft of this report and had no comments.

### *Al Shofa Water Facility, Nassriya, Iraq* *SIGIR PA-08-124*

The objective of the Al Shofa Water Facility project was to provide access for the local population to safe drinking water and reduce the incidence of waterborne disease by the design and construction of:

- a new compact-unit water treatment plant, with a capacity of 50 cubic meters per hour
- an above-ground storage reservoir
- a pipe network connecting to the existing water network
- a perimeter fence

### Project Assessment Objective

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action to be taken, when warranted. Specifically, SIGIR addressed these questions:

- Were the project components adequately designed before construction or installation?



Sunshade for the generator and the fuel tank at Al Shofa.

- Did the construction or rehabilitation meet the standards of the design?
- Were quality management programs being adequately used?
- Was project sustainability addressed?
- Were the project results consistent with the original objectives?

### Conclusions

1. Adequate design documentation for project components was not available for the Al Shofa Water Facility project. Specifically, the contractor's design package was not complete and lacked sufficient details. The design package did not provide a system overview detailing the process by which raw river water entered the clarifier, was converted to drinking water, and then was released into the distribution system. In addition, the available design documentation lacked necessary details, such as the sizes of the pipes, the potential need for pipe reducers, the diameters of the air and outlet nozzles for the high-pressure filters, equipment lists, and diagram scales.

In a proactive approach, USACE Gulf Region South (GRS) is creating a standardized

70% design for the remaining compact-unit water treatment plants to be constructed in the Thi-Qar province. (These plants will have the capacity to treat 50 cubic meters of water per hour). GRS representatives believe that a standardized design will reduce both the time and contract costs to complete the remaining projects.

2. At the time of the site visit on May 9, 2008, the project was 59% complete. In general, the construction appeared to meet the standards of the Statement of Work. During its two visits to the project site, the inspection team did not observe significant deficiencies. The observed construction work associated with the Al Shofa Water Facility appeared to meet the standards of the contract.
3. The contractor's quality control (QC) plan was inadequate to guide the contractor's quality management program. Specifically, the QC plan lacked explicit details regarding the use of daily QC reports, identification and correction of construction deficiencies, and testing requirements. The contract also required that the contractor maintain weekly progress reports and construction inspection reports.





Water compact unit with sunshade at Al Shofa.

After reviewing the contractor's daily and weekly QC reports, SIGIR found them to be insufficient. For example, the contractor provided only five daily and weekly QC reports. The QC reports contained project-specific information, such as work activities performed, materials received, and testing performed. However, the number of QC reports provided was inadequate for an effective quality management program, and the first reports did not originate until the project was almost one year old.

Despite the weaknesses in contractor quality control, the government quality assurance (QA) program was effective in ensuring that the construction of the Al Shofa Water Facility project was adequate. The U.S. Army Corps of Engineers quality assurance representatives maintained daily QA reports, which documented deficiencies identified at the site. SIGIR found the reports to be sufficiently complete, accurate, and timely. In addition to containing project-specific information to document construction progress and highlight deficiencies,

the quality assurance representatives also supplemented the daily QA reports with detailed photographs that reinforced the narrative information provided in the reports. Further, the QA team followed up on any reported deficiencies to confirm that the contractor took the necessary corrective actions. The government's QA program compensated for the inadequate contractor QC program and is ensuring the successful completion of the Al Shofa Water Facility project.

4. Sustainability was addressed in the contract requirements. The contract specifications required the contractor to provide and certify warranties for all material or equipment—including any mechanical, electrical, and electronic devices—and all operations for one year from the date of transfer to the Ministry of Water Resources. In addition, the contract required the contractor to supply spare parts for one year of the plant operations, supply all chemicals and replacement filters for eight weeks of continuous operation, and provide four weeks of training for operators on project



Elevated storage tank at Al Kazim.

operations and maintenance at the new water treatment plant.

5. The objective of the Al Shofa Water Facility project was to design and construct a new compact-unit water treatment plant with a capacity of 50 cubic meters per hour, an above-ground storage reservoir, and a pipe network connecting to the existing water network. To date, the project results are consistent with the original contract objectives. If GRS maintains the current quality of construction and effective project management, a new compact-unit water treatment plant will provide much-needed safe drinking water to the local community. A water unit this size could serve a population of 5,000 or more persons a day.

## Recommendations and Management Comments

The report did not contain any recommendations for corrective action; therefore, management comments were not required. Representatives of

the U.S. Army Corps of Engineers, Gulf Region Division reviewed a draft of this report and had no comments.

### *Al Kazim Water Supply, Nassriya, Iraq* *SIGIR PA-08-125*

The objective of the Al Kazim Water Supply project was to provide access for the local population to safe drinking water and reduce the incidence of waterborne disease by the design and construction of:

- a new compact-unit water treatment plant, with the capacity to treat 50 cubic meters of water per hour
- an above-ground storage reservoir
- a pipe network connecting to the existing water network
- a perimeter fence

### Project Assessment Objectives

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action to be taken, when warranted. Specifically, SIGIR addressed these questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the quality management programs being used adequately?
- Was the sustainability of the project addressed?
- Were the project results consistent with original objectives?

## Conclusions

1. Adequate design documentation for project components was not available for the Al Kazim Water Supply project. Specifically, the contractor's design package was not complete and lacked sufficient details. The design package did not provide any building layouts or plans for sidewalks, foundations for buildings, or the perimeter wall system.

In a proactive approach, the U.S. Army Corps of Engineers, Gulf Region South (GRS) is creating a standardized 70% design for the remaining compact-unit water treatment plants to be constructed in the Thi-Qar province. (These plants will also have the capacity to treat 50 cubic meters of water per hour.) GRS representatives believe that a standardized design will reduce both the completion time for the remaining projects and contract costs.

2. At the time of the site visit on May 9, 2008, the project was 55% complete. In general, the construction appeared to meet the standards of the scope of work. During two visits to the project site, the inspection team did not observe significant deficiencies. The observed construction work associated with the Al Kazim Water Supply appeared to meet the standards of the contract.
3. The contractor's quality control (QC) plan was sufficiently detailed to effectively guide the contractor's quality management program. From the early stages of the project, the contractor provided GRS with QC reports and a weekly work schedule. Even though the QC re-

ports contained the required project and work activity information to document construction progress and identify problems, the reports did not document construction deficiencies. After reviewing the contractor's QC plan, QC reports, and submittals, SIGIR determined that the contractor's overall QC program was adequate.

The government's quality assurance (QA) program was effective in ensuring that the construction of the Al Kazim Water Supply project was adequate. The U.S. Army Corps of Engineers quality assurance representative maintained daily QA reports, which documented deficiencies identified at the site. SIGIR found the QA reports to be sufficiently complete, accurate, and timely. The reports contained project-specific information to document construction progress and highlight deficiencies, and the quality assurance representative also supplemented the daily reports with detailed photographs that reinforced the narrative information. Further, the QA team followed up on any reported deficiencies to confirm that the contractor took the necessary corrective actions. Specifically, the quality assurance representative was instrumental in discovering a deficiency in the concrete foundation of the elevated storage tank. The government's QA program is ensuring the successful completion of the Al Kazim Water Supply project.

4. Sustainability was addressed in the contract requirements. The contract required the contractor to provide and certify warranties for all



Water compact unit without sunshade at Al Kazim.

material or equipment—including mechanical, electrical, and electronic devices—and all operations for one year from the date of transfer to the Ministry of Water Resources. In addition, the contractor will supply spare parts for one year of the plant operations and all chemicals and replacement filters for eight weeks of continuous operation. Further, the contractor will provide four weeks of training for operators on project operations and maintenance at the new compact-unit water treatment plant.

5. The objective of the Al Kazim Water Supply project was to design and construct a new compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour, an above-ground storage reservoir, and a pipe network connecting to the existing water network. To date, the Al Kazim Water Supply project results are consistent with the original contract objectives. If the current quality of construction and effective project management by the U.S. Army Corps of Engineers continues, a new compact-unit water treatment plant will provide much-needed safe drinking

water to the local community. A water unit this size could serve a population of 5,000 or more persons a day.

## Recommendations

The report did not contain any recommendations for corrective action; therefore, management comments were not required. Representatives of the U.S. Army Corps of Engineers, Gulf Region Division reviewed a draft of this report and had no comments.

### *33-Kilovolt Power Line, Nassriya, Iraq*

*SIGIR PA-08-127*

The objective of this Economic Support Fund project was to design and construct the equipment required for a 33-kilovolt (kV) overhead line from the Nassriya Old Substation to the Al-Shimiyah Substation.

## Project Assessment Objectives

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to





Finishing concrete on the power line project.  
(USACE photo)

enable appropriate action to be taken, when warranted. Specifically, SIGIR addressed these questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the quality management programs being used adequately?
- Was the sustainability of the project addressed?
- Were the project results consistent with the original objectives?

### Conclusions

1. Adequate design documentation for project components was not available for the 33-Kilovolt Power Line project. The contractor's design package was not complete and lacked sufficient details. Specifically, the design documents did not provide any preliminary alignment plans with topographic surveys, soil reports, right-of-way plans, construction drawings (detail sheets, quantity sheets, or environmental protection plan sheets), structural calculations, foundation calculations, technical specifications, catalog cuts of equipment specified, general design notes with assumptions made,

or standard drawings referenced.

2. At the time of the site visit on May 13, 2008, the project was 65% complete. In general, the construction appeared to meet the standards of the Statement of Work. During its visit to the project site, the inspection team did not observe significant deficiencies. The observed construction work associated with the 33-Kilovolt Power Line project appeared to meet the standards of the contract.
3. The contractor's QC plan was inadequate to guide a quality management program. Specifically, the QC plan required the contractor to maintain construction inspection reports. The contractor provided to the GRS project engineer only one QC report, which did not provide meaningful information and did not identify any significant construction deficiencies. The QC plan did provide specific details on the responsibilities of key personnel, document control methods, special processes, civil works, inspection and testing, records, and the turnover to the U.S. Army Corps of Engineers (USACE) process.

Despite the weaknesses in contractor quality control, the government's QA program was effective in ensuring that the construc-



Completed tower foundation on the power line project.

tion of the 33-Kilovolt Power Line project was adequate. The USACE quality assurance representatives maintained daily QA reports, which documented deficiencies identified at the site. SIGIR found these reports to be sufficiently complete, accurate, and timely. The reports contained project-specific information to document construction progress and highlight deficiencies. Also, the quality assurance representatives supplemented the daily reports with detailed photographs that reinforced the narrative information provided in the reports. Further, the QA team followed up on any reported deficiencies to confirm that the contractor took the necessary corrective actions. The government's QA program compensated for the inadequate contractor QC program and is ensuring the successful completion of the 33-Kilovolt Power Line project.

4. Sustainability was addressed in the contract requirements. The contract required the contractor to be provided a certificate after the final inspection, resolution, and acceptance of the project. In addition, the contract required the contractor's testing and commissioning—such as labor, materials, tools, testing devices, and engineering support—to complete a service transfer of the utilities to the local grid system,

including any acceptance tests performed by the Ministry of Electricity before the turnover.

5. The objective of the 33-Kilovolt Power Line project was to design and construct equipment required for a 33-kilovolt overhead line from the Nassriya Old Substation to the Al-Shimi-yah Substation. To date, the project results are consistent with the original contract objectives. If the current quality of construction and effective project management by GRS continue, a new 33-kilovolt overhead power line will provide the Thi-Qar province area with more reliable and secure transmission of electricity.

## Recommendations

The report did not contain any recommendations for corrective action; therefore, management comments were not required. Representatives of the U.S. Army Corps of Engineers, Gulf Region Division reviewed a draft of this report and had no comments.

### *Al Ager Water Compact Unit, Nassriya, Iraq SIGIR PA-08-129*

The objective of the Al Ager Water Compact Unit project was to design and construct a new compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour. The

water treatment plant was to contain a reverse osmosis unit, an above-ground storage reservoir, a pipe network connecting to the existing water network, and a perimeter fence.

### **Project Assessment Objective**

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action to be taken, when warranted. Specifically, SIGIR addressed these questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were quality management programs being used adequately?
- Was the sustainability of the project addressed?
- Were the project results consistent with the original objectives?

### **Conclusions**

1. Adequate design documentation for the project components was not available for the Al Ager Water Compact Unit project. Specifically, the contractor's design package was not complete and lacked sufficient details. The design package did not provide a system overview detailing the process by which raw water entered the clarifier, was converted to drinking water, and then released into the distribution system. In addition, the available design documentation lacked basic items, such as the piping configurations, equipment locations and sizes,

building layouts, electrical plans, and structural drawings. Additionally, no information on the type, sizes, and specifications of the proposed reverse osmosis unit was provided.

Using a proactive approach, the U.S. Army Corps of Engineers, Gulf Region South (GRS) is creating a standardized 70% design for the remaining compact-unit water treatment plants to be constructed in Thi-Qar province, which also will have the capacity of 50 cubic meters per hour. GRS representatives believe that a standardized design will reduce both the completion time for the remaining projects and the contract costs.

2. At the time of the SIGIR site visit on May 13, 2008, the project was 17% complete. In general, the construction appeared to meet the standards of the Statement of Work. During its two visits to the project site, the inspection team did not observe significant deficiencies. The observed construction work associated with the Al Ager Water Compact Unit appeared to meet the standards of the contract.

3. The contractor's quality control (QC) plan was inadequate to guide the contractor's quality management program. Specifically, the QC plan lacked explicit details regarding the use of daily QC reports, identification and correction of construction deficiencies, and testing requirements. The contract required that the contractor maintain weekly progress reports and construction inspection reports. After reviewing the contractor's daily and weekly QC reports, SIGIR found them to be insufficient. For example, the contractor provided only five





Foundation of the water compact unit at Al Ager.



Future generator pad at Al Ager.

daily and weekly QC reports. Even though the QC reports contained project-specific information—such as work activities performed, materials received, and testing performed—the lack of a sufficient number of QC reports is inadequate for an effective quality management program.

Despite the weaknesses in contractor quality control, the government's quality assurance program was effective in ensuring that the construction of the Al Ager Water Compact Unit project was adequate. The U.S. Army Corps of Engineers quality assurance (QA) representatives maintained daily QA reports, which documented deficiencies identified at the site. SIGIR found the QA reports to be sufficiently complete, accurate, and timely. In addition to containing project-specific information to document construction progress and highlight deficiencies, the quality assurance representatives also supplemented the daily QA reports with detailed photographs that reinforced the narrative information provided

in the reports. Further, the QA team followed up on any reported deficiencies to confirm that the contractor took the necessary corrective actions. The government's effective QA program compensated for the inadequate contractor QC program and is ensuring the successful completion of the Al Ager Water Compact Unit project.

4. Sustainability was addressed in the contract requirements. The contract specifications required the contractor to provide and certify warranties for all material or equipment—including mechanical, electrical, and electronic devices—and all operations for one year from the date of transfer to the Ministry of Water Resources. In addition, the contract required the contractor to supply spare parts for one year of the plant operations and all chemicals and replacement filters for eight weeks of continuous operation. The contractor must also provide four weeks of training for operators on project operations and maintenance at the new compact-unit water treatment plant.

5. The objective of the Al Ager Water Compact Unit project was to design and construct a new compact-unit water treatment plant with a reverse osmosis unit, an above-ground storage reservoir, a pipe network connecting to the existing water network, and a perimeter fence for the new facility. To date, the Al Ager Water Compact Unit project results are consistent with the original contract objectives. If the current quality of construction and effective project management by GRS continues, a new compact-unit water treatment plant with the capacity to treat 50 cubic meters of water per hour will be completed, providing much-needed safe drinking water to the local community. A water unit this size could serve the daily needs of 5,000 or more people.

Recommendations

The report did not contain any recommendations for corrective action; therefore, management comments were not required. Representatives of the U.S. Army Corps of Engineers, Gulf Region

Division reviewed a draft of this report and had no comments.

SIGIR Project Assessment Review through April 2008, Various Sites within Iraq  
SIGIR PA-08-139

This project assessment review is a compilation of all assessments from July 2005 through April 2008. This project assessment was completed in accordance with the Quality Standards for Inspections issued by the President’s Council on Integrity and Efficiency.

Project Assessment Objective

The overall objective of this report is to provide an objective summary by sector of all assessments published through April 2008.

Conclusions

1. As of April 2008, SIGIR has issued 115 project assessment reports, which provide a snapshot of reconstruction activities in six sectors, shown in Table 3.6. SIGIR also issued two summary

SUMMARY OF SIGIR PROJECT ASSESSMENTS, AS OF APRIL 2008

RECONSTRUCTION SECTOR	SIGIR ASSESSMENT WORK
Energy	28 reports and 1 special assessment; \$644 million in contract costs
Health	11 reports; \$22 million in contract costs
Military	14 reports; \$306 million in contract costs
Security and Justice	25 reports; \$252 million in contract costs
Transportation and Communications	19 reports; \$42 million in contract costs
Water	17 reports; \$373 million in contract costs

TABLE 3.6

reports, covering 96 limited inspections.

2. Project assessment reports through April 2008 cover reconstruction project sites in Iraq valued at more than \$1.6 billion—89 construction assessments and 26 sustainment assessments. Random selection of project assessment sites was not practicable. SIGIR sought to select a representative cross-section of projects. To do this, projects were selected for assessment from each sector, from large and small contractors, in different sections of Iraq, involving each of the major U.S. agencies, as well as from ongoing and completed projects. In addition, site visits were based on the availability of secure transportation to and from the project site and the security of the area. Therefore, projections for all reconstruction projects should not be made based on the results of this report.
3. The assessments yielded a variety of results, ranging from well-constructed and successful projects to projects that had serious deficiencies. The deficiencies were largely the result of inadequate contractor performance and insufficient government oversight.
4. Different types of funds have been used to reconstruct Iraq. Most of the projects assessed were funded with the Iraq Relief and Reconstruction Fund. SIGIR also assessed projects funded by the Commander's Emergency Response Program, Iraq Security Forces Fund, Development Fund for Iraq, and the DoS International Narcotics Control and Law Enforcement Fund.
5. Several agencies provide oversight of U.S.-funded reconstruction projects in Iraq. The bulk of the oversight is handled by the U.S.

Army Corps of Engineers, Gulf Region Division, which is subdivided into three subordinate units: Gulf Region Central, Gulf Region North, and Gulf Region South. The Air Force Center for Engineering and the Environment and the Multi-National Division also provided oversight. During the beginning of reconstruction, the Coalition Provisional Authority had contract oversight.

6. Of the 115 project assessments, SIGIR found that 47 had significant deficiencies, and 27 had minor deficiencies. These deficiencies resulted from inadequate design, construction, quality control and assurance, and planning for Iraqi sustainment.
7. Conversely, the 41 projects with no deficiencies and successful results were the result of effective quality management by the contractor and government. Further, complete engineering designs and detailed architectural drawings were instrumental in projects that met contract specifications. Finally, early planning and adequate funding enhanced project sustainment.
8. A common theme among the projects with deficiencies was the inability to produce a product that met the specifications required by the contract, as well as the lack of compliance with the standards referenced in the contract. Inadequately trained/unqualified contractor personnel, inferior materials, and the lack of oversight on the part of the contractor and government led to substandard project results. Also, in some instances, SIGIR found indications of potential fraud. This information was turned over to the Investigations Directorate of SIGIR for further action.

### Recommendations and Management Comments

The report did not contain any new findings or recommendations for corrective action; therefore, management comments were not required.

### AERIAL PROJECT SURVEY PROGRAM

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, performs aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides current imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 67 images and created 45 imagery products, using satellite imagery and limited available contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. The SIGIR imagery analyst assessed and reviewed ESF and IRRF projects evaluated this quarter. For an overview of the images produced, see Table 3.7.

Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems. This

quarter, 45 imagery products were produced to assist inspectors with their project assessments of the 6 sites assessed this quarter and to provide analyses of potential future sites.

#### IMAGERY EVALUATED TO SUPPORT PROJECT ASSESSMENTS

PROJECT TYPE	NUMBER OF PRODUCTS
Kirkuk-to-Baiji PEZ-Phase 3	7
Kahn Bani Sa'ad Correctional Facility	6
Al Shofa Water Facility	3
Al Ager Water Compact Unit	3
Nassriya 33-Kilovolt Power line	2
Nassriya Pump Generator	2
Suroor Elementary School	2
Khandek Intermediate School	1
<b>Additional Products</b>	
Al Khaledeyah School	4
Al Hubobi School	4
Saqliwiyah Water Project	4
Safra Retaining Wall	3
SU 05 Halabjay Taza PHC	2
Al Saward Feeder – PRDC	1
Kurdistan Ministry of Interior	1

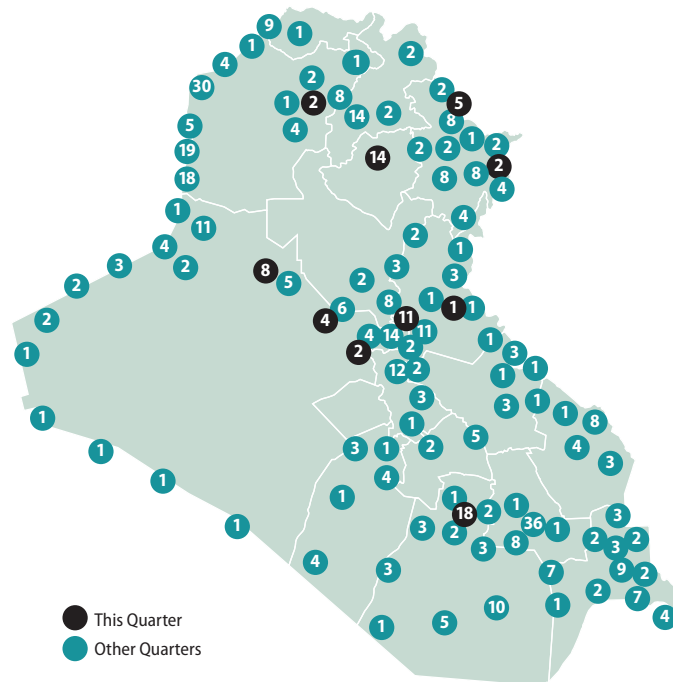
TABLE 3.7



Figure 3.2

## AERIAL IMAGERY ASSESSMENTS

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 548 cumulative satellite imagery assessments and products (Figure 3.2).



Aerial imagery taken May 22, 2008, of the North and South ends of the Kirkuk-to-Baiji Pipeline Exclusion Zone—Phase 3.



Aerial imagery taken on July 16, 2006, of the Halabjay Taza Primary Health Care Center.



**WorldView 2008 ©**

Aerial imagery taken on February 2, 2008, of the Kahn Bani Sa'ad Correctional Facility.



**DigitalGlobe 2007 ©**

Aerial imagery taken on June 5, 2007, of the Kahn Bani Sa'ad Correctional Facility.





## SIGIR INVESTIGATIONS

This quarter, SIGIR continued numerous investigations into allegations of fraud, waste, and abuse in Iraq reconstruction with 61 open investigations. SIGIR has a staff of 5 agents in Baghdad; 8 at SIGIR headquarters in Arlington, Virginia; and 9 in offices in Pennsylvania, Florida, Ohio, Michigan, Maryland, and Texas to support current investigations and task forces in those areas.

As of June 30, 2008, the work of SIGIR investigators has resulted in 16 arrests, 17 indictments, 8 convictions, and more than \$17 million in fines, forfeitures, recoveries, and restitutions. Five defendants are pending trial in September 2008, and an additional four defendants await the scheduling of trial dates. For an overview of all of the indictments and convictions resulting from SIGIR investigations, see Appendix L.

In conducting its investigations this quarter, SIGIR continued to work with a wide range of U.S. agency partners in Iraq and the United States:

- U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU)
- Defense Criminal Investigative Service (DCIS)
- U.S. Agency for International Development, Office of Inspector General (USAID OIG)
- U.S. Department of State, Office of Inspector General (DoS OIG)
- Federal Bureau of Investigation (FBI)
- U.S. Immigration and Customs Enforcement (ICE)
- Internal Revenue Service, Criminal Investigation (IRS-CI)
- U.S. Army Suspension and Debarment Authority

Of special note, during the two last months SIGIR has worked closely with Iraq's anticorruption authorities to fundamentally change the relationship between its criminal investigators and their GOI counterparts. This new initiative is discussed later in this section.

## LEGAL ACTIONS THIS QUARTER

This quarter, a number of significant cases have progressed through the legal process.

SIGIR previously reported that the joint investigative efforts of CID-MPFU, SIGIR, DCIS, FBI, ICE, and IRS-CI resulted in the July 2007 indictments of **Major John Cockerham, USA;** **Melissa Cockerham** (his wife); and **Carolyn Blake** (his sister); and the arrest and subsequent indictment in November 2007 of **Terry Hall**. The indictments of the Cockerhams and Blake alleged more than \$9.6 million in bribes, and the Hall indictment alleged that money and other things of value were paid to influence the actions of a U.S. military contracting officer, including the award of more than \$20 million in military contracts.

On June 24, 2008, the guilty pleas of the Cockerhams were unsealed. John Cockerham pled guilty to one count of bribery, one count of conspiracy to commit bribery, and one count of money laundering. Melissa Cockerham pled guilty to one count of money laundering. The pleas were taken during a sealed proceeding on January 31, 2008, before the Honorable W. Royal Ferguson, U.S. District Judge for the Western District of Texas, and unsealed June 24, 2008. John Cockerham admitted to participating in a complex bribery and money-laundering scheme while working as an Army major deployed

to Kuwait. He was responsible for awarding contracts for services to be delivered to troops in Iraq, including multi-million dollar contracts for bottled water.

In return for awarding illegal contracts, John Cockerham admitted to receiving—or being promised—more than \$9 million in bribes. Once he agreed to take money in exchange for awarding contracts, John Cockerham directed the contractors to pay his wife, sister, and others to hide the fact that contractors were paying him bribes. Melissa Cockerham admitted that she accepted more than \$1 million in illegal bribe payments on her husband's behalf and that she stored the cash in safe deposit boxes at banks in Kuwait and Dubai. Carolyn Blake's trial is scheduled to begin on October 27, 2008. The trial of Terry Hall has not yet been scheduled.

## DEVELOPMENTS FROM TASK FORCE INVESTIGATIONS

This investigation has also resulted in the guilty plea on June 10, 2008, of **Colonel Levonda J. Selph, USA**, to a two-count information charging her with bribery and conspiracy, filed under seal on October 30, 2007, and entered on June 10, 2008, in the U.S. District Court for the District of Columbia. According to the terms of the plea agreement, Selph has agreed to plead guilty, serve a jail sentence that will be determined by the court, cooperate in the government's investigation, and pay \$9,000 restitution to DoD.

According to the charges, in 2005 then-Lieu-

tenant Colonel Selph served as chair of a selection board for an annual \$12 million contract to build and operate several DoD warehouses in Iraq—the Warehouse Distribution System. In her plea agreement, Selph admitted to accepting fraudulent bids from a co-conspirator contracting firm and helping that firm win the contract award. In return for these actions, Selph accepted a vacation to Thailand and \$4,000 in cash.

In October 30, 2004, CPA-IG (which became SIGIR when the CPA was dissolved) reported that the CPA contracting office in Iraq was unable to locate 14 of the 178 contracts that the CPA-IG had requested as part of a verification audit of major CPA contracting actions. One of the missing contracts was the Warehouse Distribution System contract.

This guilty plea has also led to this quarter's most significant action by the Army Suspension and Debarment Official—the proposal for debarment of **George H. Lee, Justin W. Lee, Oai Lee**, and their affiliated companies, **Lee Dynamics International** and **Lee Defense Services Corporation**, on July 1, 2008. These proposals for debarment were based on information included in the previously sealed criminal complaint against Levonda J. Selph, including her plea agreement, in which she admits to her involvement in the fraudulent award of warehouse contracts in Iraq to Lee Dynamics International in exchange for monetary payments. This information constituted the necessary evidence to meet the evidentiary burden for proposal

for debarment under Section 9.406-2(c) of the Federal Acquisition Regulation. In addition, during the drafting of these proposals for debarment, it was discovered that George H. Lee was a corporate officer of **Starcon Ltd LLC**, a Texas-based contractor providing goods and services to the Army in Kuwait. Starcon and its managing partner, **Stephen Guyon**, were also proposed for debarment as affiliates of George H. Lee.

In a separate action related to the Task Force investigation listed above, **Tijani Saani**, a DoD contracting officer on detail to Camp Arifjan, Kuwait, from 2002 through 2007, was arrested in New York on May 7, 2008, and charged in a criminal complaint with filing a false federal tax return. An affidavit filed in support of the arrest warrant alleged that Saani signed his 2005 tax return in which he denied having any interest in, signature authority over, or other authority over a financial account in a foreign country. However, the investigation revealed that Saani maintained an account in the Jersey Channel Islands; from 2003 to 2007, more than \$700,000 passed through the account. On May 16, 2008, Saani was indicted for filing a false income tax return.

In another separate action related to the Task Force investigation, a plea agreement was filed reflecting that another Army contracting officer has agreed to plead guilty to a three-count criminal information. SIGIR will report on this case in future Quarterly Reports.

## OTHER ACTIONS

A trial arising from a separate SIGIR investigation involving five subjects, originally scheduled to start in March 2008, has been rescheduled for September 2008. Three of the subjects were active duty military personnel: **Colonel Curtis G. Whiteford, USA**, and **Lt. Colonels Debra M. Harrison** and **Michael Wheeler, USA**. Two of the subjects are civilians: **Michael Morris** and **William Driver**. All are scheduled to stand trial for various crimes alleged to have been committed involving Iraq. The charges include conspiracy, bribery, wire fraud, interstate transport of stolen property, bulk cash smuggling, money laundering, and preparation of a false tax form.

SIGIR previously reported that a grand jury in San Antonio, Texas, indicted **David Ramirez** on charges of smuggling bulk amounts of cash and structuring bank transactions to avoid cash reporting requirements over \$150,000. Ramirez worked as a contractor for Readiness Management Support at Balad Air Base in Iraq. The trial date for Ramirez has been continued from June to late September 2008.

For a comprehensive list of indictments and convictions, see Appendix L.

## SUSPENSIONS AND DEBARMENTS

Since December 2005, SIGIR and its partner agencies have worked closely with the **Army Legal Service Agency's Procurement Fraud Branch** to suspend and debar contractors for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq and Afghanistan. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

In June 2003, DoD designated the Department of the Army as the executive agent for contracting support to CPA. As a result, the Army's Suspension and Debarment Authority leads the effort to ensure the integrity of contractors performing these contracts. The goal of this program is to ensure that these contracts are awarded to—and performed by—contractors who are honest and ethical and who have the ability to successfully perform this important work. The Procurement Fraud Branch has also taken a leading role within the Army and at joint contracting organizations to train contracting officers to aid in the prevention and early detection of contractor fraud in Iraq reconstruction and support contracts.

Since SIGIR's April 2008 Quarterly Report, the Procurement Fraud Branch has suspended 19 more individuals and companies, bringing the total suspensions to date to 77. In addition, 8 individuals and companies have been proposed for

debarment, bringing the total proposed debarments to 43. Total debarments remain at 25.

For a comprehensive list of suspensions and debarments, see Appendix M.

## SIGIR'S INVESTIGATIVE WORK WITH OTHERS

This quarter, SIGIR continued its investigative work with many U.S. agencies and GOI officials.

### SIGIR AND IRAQ'S ANTICORRUPTION AUTHORITIES

SIGIR investigators have had ongoing relationships with several Iraqi anticorruption officials over the past several years and exchanged information on criminal activity involving Iraqi infrastructure projects and programs managed and funded by the United States. During the two last months, however, SIGIR has initiated a program that is fundamentally changing the relationship between its criminal investigators and their counterparts in the GOI. SIGIR personnel have begun forging a close working relationship with the investigative staff of the Iraqi Commission on Public Integrity (CoI). The CoI, formerly known as the Commission on Public Integrity (CPI), was created in 2004 and given the responsibility for investigating fraud and corruption by Iraqi officials and others within Iraq. The ultimate goal of the relationship is for Iraqi authorities to prosecute Iraqis involved in criminal activity who are outside the reach of U.S. authorities and for U.S. officials to prosecute Americans and others.

SIGIR is approaching the relationship carefully because CoI has been affected by a

number of outside influences since its creation. The leadership of the organization has changed twice; the first Commissioner was forced to flee to the United States for safety; and the second Commissioner was replaced in February 2008. The organization's work was also affected by the amnesty law passed by the Iraqi Parliament, which granted immunity to those who had committed certain types of crimes.

There have been some positive signs for the future of the CoI. SIGIR has received reports that the CoI has made an effort to eliminate corruption within its ranks, and American advisors who work with CoI daily have reported that there is a proposal for CoI's investigative staff to be increased by 100 investigators in 2009—up from the 210 that now staff offices across Iraq.

### **SIGIR AND THE INTERNATIONAL CONTRACT CORRUPTION TASK FORCE**

The **International Contract Corruption Task Force** (ICCTF) supports the six agencies that conduct investigations of fraud in Iraq: SIGIR, CID-MPFU, DCIS, USAID OIG, DoS OIG, and FBI. Since October 2006, the ICCTF's **Joint Operations Center** (JOC) has provided strategic and operational support to the participating partners, including case coordination and de-confliction, analytical support, and criminal intelligence. Based at the FBI in Washington, D.C., the JOC is managed by senior investigative officials from the ICCTF agencies. Its primary goal is to enhance interagency cooperation and maximize the investigative resources of the partner agencies.

### **SIGIR AND THE DEFENSE FINANCE AND ACCOUNTING SERVICE INVOICE REVIEW PROJECT**

SIGIR continues to support the ongoing Defense Finance and Accounting Service (DFAS) invoice review project in Rome, New York. DCIS launched this proactive project to analyze more than \$10 billion in payment vouchers related to U.S. Army purchases to support the war effort in Iraq. The project has identified suspected fraudulent activity related to the war effort in Iraq, and referrals for investigation have been provided to the ICCTF agencies, including SIGIR.

The Commercial Accounts Payable System (CAPS) information has been obtained from the deployed disbursing stations and placed into a database that will be used to identify fraudulent activity through the use of data mining. This involves about 800,000 vouchers with a value of approximately \$13 billion–\$14 billion. In addition to the analytical efforts to develop cases, DFAS is providing data to the JOC for participating agencies to use in support of ongoing investigations involving fraud and corruption in Iraq.

### **SIGIR AND THE NATIONAL PROCUREMENT FRAUD TASK FORCE**

SIGIR participates in the National Procurement Fraud Task Force (NPFTF) and the International Working Committee (IWC), a subcommittee of the NPFTF. In October 2006, the DoJ Criminal Division created NPFTF to promote the early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other

government programs. The IWC links DoJ and federal law enforcement agencies and provides a venue to address prosecutorial issues resulting from fraud investigations conducted in an international war zone.

## OTHER AGENCY INVESTIGATIONS IN IRAQ

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For the status of the investigative activities of other U.S. agencies, see Table 3.8.

**STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2008**

	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ ONGOING CASES
CID/MPFU	6	4	98
DCIS	3	2	124
DoS/OIG	0	0	4
FBI	3	1	69
USAID	2	0	12
<b>Total</b>	<b>14</b>	<b>7</b>	<b>307</b>

This number may include pending cases worked with other agencies within the JOC.

TABLE 3.8

## SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. When the SIGIR Hotline receives cases that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, SIGIR transfers them to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

### SECOND QUARTER REPORTING

As of June 30, 2008, the SIGIR Hotline had initiated 664 cases. Of these, 583 have been closed, and 81 remain open. For a summary of these cases, see Table 3.9.

### NEW CASES

During this reporting period, the SIGIR Hotline received 23 new complaints, bringing the cumulative total to 664 Hotline cases. The new complaints were classified in these categories:

- 16 involved contract fraud.
- 2 involved miscellaneous issues.
- 2 involved personnel issues.
- 2 involved mismanagement.
- 1 involved waste.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal by electronic mail. SIGIR received the 23 new Hotline complaints by these means:

- 19 by electronic mail
- 2 by SIGIR Hotline telephone call
- 2 by fax

### SUMMARY OF SIGIR HOTLINE CASES, AS OF 6/30/2008

OPEN CASES			
Investigations			71
Audits			10
Total Open			81
CLOSED CASES	1ST QTR	2ND QTR	CUMULATIVE*
	2008	2008	
FOIA	0	0	4
OSC Review	0	0	2
Assists	1	0	46
Dismissed	4	3	119
Referred	10	10	252
Inspections	0	0	79
Investigations	1	1	72
Audits	0	0	9
Total Closed	16	14	583
Cumulative* Open & Closed			664

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to June 30, 2008.

TABLE 3.9



## CLOSED CASES

During this quarter SIGIR closed 14 Hotline cases:

- 10 were referred to other inspector general agencies.
- 3 were dismissed for being outside of SIGIR's investigative purview.
- 1 was closed by SIGIR Investigations.

## REFERRED COMPLAINTS

After a thorough review, SIGIR referred 10 complaints to outside agencies for proper resolution:

- 3 were sent to the Multi-National Force-Iraq Inspector General.
- 3 were sent to the Department of State Inspector General.
- 2 were sent to the Department of Defense Inspector General.
- 1 was sent to the Joint Contracting Command-Iraq/Afghanistan.
- 1 was sent to the U.S. Army Inspector General.

## SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 111,000 users visited the SIGIR website this quarter—more than 1,200 users per day.
- Most users were from within the United States (86%). The remaining 14% were from 168 different countries, mainly in Western Europe (5%), Asia (3%), and the Middle East (2%).
- This quarter, the Arabic language section of the site received 845 visits.
- A significant percentage of visitors to the SIGIR website were from U.S. government agencies—most notably DoD and DoS—and the U.S. House of Representatives.
- Users visited the SIGIR Reports section most often.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.

For an overview of daily and quarterly visits to the SIGIR website, see Figure 3.3 and Figure 3.4.

### AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE

Source: Web Analytics, as of 6/30/2008

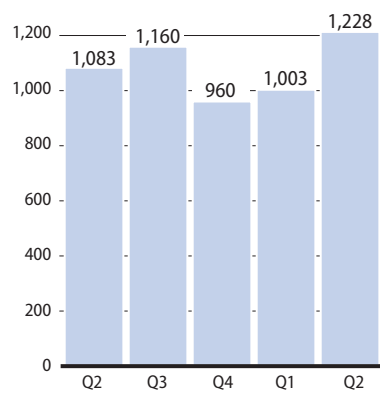


FIGURE 3.3

### TOTAL NUMBER OF VISITORS PER QUARTER TO SIGIR WEBSITE

Source: Web Analytics, as of 6/30/2008

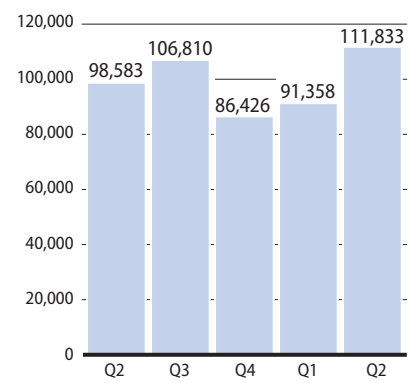


FIGURE 3.4

## LEGISLATIVE UPDATE

On June 30, 2008, the President signed Public Law 110-252, the Supplemental Appropriations Act, 2008. The act contains several items related to SIGIR and, more generally, to Iraq's reconstruction. In addition, one bill related to contracting practices passed the House of Representatives.

### SIGIR FUNDING IN THE SUPPLEMENTAL APPROPRIATIONS ACT

The Supplemental includes an additional \$2.5 million for SIGIR operations in FY 2008 (for a total of \$37.5 million) and provides an additional \$36.5 million for the first nine months of FY 2009 in its "bridge fund" provision. This funding will enable SIGIR to expand its professional staff and meet its expanded responsibilities under the National Defense Authorization Act for Fiscal Year 2008.

The Supplemental also includes \$1.6 million for General Legal Activities for the Criminal Division of the Department of Justice to provide litigation support services to SIGIR for its ongoing investigations of corruption in Iraq reconstruction.

During the Senate and House floor debates on the Supplemental, Senator Robert Byrd and Representative David Obey, Chairmen of the Senate and House Appropriations Committees, each submitted for the record an identical "Explanatory Statement," which includes the following discussion of the FY 2008

supplemental funding for the Department of State Office of Inspector General (DoS OIG), SIGIR, and the Special Inspector General for Afghanistan Reconstruction (SIGAR):

The Department of State OIG, USAID OIG, SIGIR, and SIGAR each have independent oversight responsibilities in Iraq and Afghanistan. The inspectors general should, to the maximum extent practicable, coordinate, and de-conflict all activities related to oversight of assistance programs for the reconstruction of Iraq and Afghanistan to ensure that oversight resources are used effectively and are not unnecessarily duplicative.

To ensure continuity of oversight of permanent United States Missions, the USAID OIG and the Department of State OIG are expected to actively participate in oversight of all programs funded by this Act and prior Acts making appropriations for the Department of State and foreign operations, in particular oversight of diplomatic and development operations and facilities. Joint oversight with SIGIR or SIGAR is strongly encouraged; however once fully staffed, the Department of State OIG or the USAID OIG should, to the maximum extent practicable, be designated as the lead for any joint oversight conducted with SIGIR or SIGAR of funds involving diplomatic operations and facilities in Iraq and Afghanistan.

### OTHER PROVISIONS IN THE SUPPLEMENTAL APPROPRIATIONS ACT

The Supplemental brings the total funds appropriated for the reconstruction of Iraq to about \$50 billion. It provides about \$4 billion in new reconstruction funding for Iraq:

- \$2.5 billion for the Iraq Security Forces Fund
- about \$1.2 billion for the Commander's Emergency Response Program worldwide, of which about 60% will be allocated for Iraq
- \$526.6 million for the Economic Support Fund
- \$85 million for the International Narcotics Control and Law Enforcement Fund

The Supplemental also rescinds \$50 million in prior-year appropriations for the Iraq Relief and Reconstruction Fund. Section 1402 of the Supplemental imposes the following conditions and restrictions on the availability of newly appropriated funds included in the chapter of the bill relating generally to funds provided through DoS and the U.S. Agency for International Development (USAID):

**Asset Transfer.** None of the funds may be used for infrastructure maintenance activities until the Secretary of State certifies and reports to the Committees on Appropriations that the U.S. government and Government of Iraq (GOI) have entered into, and are implementing, an asset-transfer agreement that includes commitments by the GOI to maintain U.S.-funded infrastructure in Iraq.

**Corrections Facilities.** None of the funds can be used to build prison facilities in Iraq.

**Anticorruption Program.** Not more than 40% of the funds appropriated for rule-of-law programs may be made available for assistance for the GOI until the Secretary of State reports that a comprehensive anticorruption strategy has been developed, and is being implemented, by the GOI, and the Secretary of State submits to the

Committees on Appropriations a list, in classified form if necessary, of senior Iraqi officials who the Secretary has credible evidence to believe have committed corrupt acts.

**Provincial Reconstruction Teams (PRTs).** None of the funds appropriated for the operational or program expenses of PRTs may be made available until the Secretary of State submits a report detailing:

- the strategy for the eventual winding down and closeout of PRTs
- anticipated costs associated with PRT operations, programs, and contract closeout, including security for PRT personnel and anticipated GOI contributions
- anticipated placement and cost estimates of future U.S. consulates in Iraq

**Community Stabilization Program.** No more than 50% of funds appropriated to the Community Stabilization Program may be made available until the Secretary of State certifies to the Committees on Appropriations that USAID is implementing recommendations to ensure the accountability of funds in that program that were contained in a USAID OIG audit report.

**Matching Funds.** Generally, funds will be made available only if they are matched on a dollar-for-dollar basis. Before the United States makes an initial obligation of funds, the Secretary of State is required to certify to the GOI commitment to spend matching funds and to report twice yearly on the amounts of funds obligated and expended by the GOI for this purpose. Excepted from these requirements are

obligations for assistance for democracy and human rights programs; the Community Action Program and other civil society programs; “humanitarian demining” (mine clearance for the benefit of civilians); and aid to refugees, internally displaced persons, and civilian victims of military operations.

The Supplemental includes a section entitled the “Close the Contractor Fraud Loophole Act,” which is identical to H.R. 5712, introduced by Representative Peter Welch, and which was adopted by the House of Representatives on April 23, 2008. It addresses a draft federal regulation on the duty of certain government contractors to self-report overpayments or violations of federal law. The draft regulation would not have imposed this duty with respect to contracts to be performed entirely outside the United States or for the acquisition of a commercial item. The effect of the section is to impose this duty without regard to the place where the contract is to be performed or whether it is for the acquisition of a commercial item.

The Committees on Appropriations have directed DoD, in a passage in the “Explana-

tory Statement” on the Supplemental about the Commander’s Emergency Response Program, to “establish minimum guidelines for commanders to follow in monitoring project status and performance indicators to assess the impact of CERP projects,” and to improve reporting on the CERP.

## CONGRESSIONAL ACTION ON RELATED LEGISLATION

On April 23, 2008, the House of Representatives passed H.R. 3033, the “Contractors and Spending Accountability Act of 2007,” introduced by Representative Carolyn Maloney. Following passage in the House, the bill was referred to the Senate Committee on Homeland Security and Governmental Affairs. The bill would create a centralized and comprehensive federal contracting database of contractor violations of federal procurement laws that procurement officials could use to evaluate potential contractors. The bill also would require procurement officers to document their decisions to award federal contracts to a contractor with two or more debarments on its record within a three-year period.

# OTHER AGENCY OVERSIGHT

INTRODUCTION

OTHER AGENCY AUDITS

OTHER AGENCY INVESTIGATIONS

SECTION 4

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# 4





## INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC) to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the inspectors general (IGs) of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations meet quarterly to exchange details about current and planned audits, identify opportunities for collaboration, and minimize redundancies.

The most recent meeting was held on May 14, 2008, at the SIGIR office in Arlington, Virginia. The following organizations attended the meeting:

- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
- Government Accountability Office (GAO)
- Defense Contract Audit Agency (DCAA)
- SIGIR

On January 28, 2008, the President signed the National Defense Authorization Act (NDAA). Section 842 of the NDAA authorizes SIGIR to develop a comprehensive audit plan for a series of contract audits of the performance of security and reconstruction functions in Iraq. The legislation requires SIGIR to lead the planning and coordination of these audits, in consultation with other oversight agencies, which include DoD OIG, DoS OIG, and USAID OIG.

During this quarter, DoD Inspector General Claude M. Kicklighter submitted his resignation;

President Bush designated Gordon S. Heddell as Acting Inspector General. Also during this quarter, DoS Inspector General Howard J. Krongard resigned his position, and Harold W. Geisel has been designated Acting Inspector General.

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by DoD OIG, DoS OIG, USAID OIG, GAO, and USAAA. For DCAA updates, see Appendix N. The U.S. Department of the Treasury and the U.S. Department of Commerce did not complete or initiate any new audits this quarter.

## OTHER AGENCY AUDITS

This section updates the audits that IIGC member agencies reported to SIGIR:

For recently completed oversight report activity, see Table 4.1.

For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 4.2.

For more information on other agency audits, including audit summaries, see Appendix N.

For a complete historical list of audits and reviews on Iraq reconstruction by all U.S. entities, see Appendix O.

## OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For the status of investigative activities from other agencies, see Table 4.3.

# OTHER AGENCY OVERSIGHT

## RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 6/30/2008

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD	D-2008-098	5/22/2008	Internal Controls Over Out-of-Country Payments
DoD	D-2008-089	5/9/2008	Planning Armor Requirements for the Family of Medium Tactical Vehicles
DoD	D-2008-078	4/9/2008	Training Requirements for U.S. Ground Forces Deploying in Support of Operation Iraqi Freedom
DoD	D2006-DIP0E2-0137	6/2008	DoD/Department of Veterans Affairs (VA) Inspectors General Interagency Care Transition Project
DoD	2008E001	6/4/2008	Review of Matters Related to the August 28, 2005, Shooting of Reuters Journalists in Iraq
DoD	08-INTEL-06	6/12/2008	Review of the U.S. Government's Relationship with the Iraqi National Congress: Phase Two and the Relationship of the Iraqi National Congress with the Department of Defense
DoS	08 MER03002	6/30/2008	Iraqi Special Immigrant Visa (SIV) Program
DoS	08 MER03001	6/30/2008	U.S. Refugee Admissions Program (USRAP) for Iraq
GAO	GAO-08-736R	6/23/2008	Military Operations: Actions Needed to Better Guide Project Selection Commander's Emergency Response Program and Improve Oversight in Iraq
GAO	GAO-08-837	6/23/2008	Securing, Stabilizing, and Rebuilding Iraq: Progress Report: Gains Made, Updated Strategy Needed
GAO	GAO-08-568T	3/11/2008	Stabilizing and Rebuilding Iraq: Actions Needed to Address Inadequate Accountability over U.S. Efforts and Investments
GAO	GAO-08-423R	1/30/2008	Global War on Terrorism: Reported Obligations for the Department of Defense
GAO	GAO-08-316R	1/22/2008	Defense Logistics: The Army Needs to Implement an Effective Management and Oversight Plan for the Equipment Maintenance Contract in Kuwait
GAO	GAO-08-153	1/18/2008	Iraq Reconstruction: Better Data Needed to Assess Iraq's Budget Execution
GAO	GAO-08-143R	11/30/2007	Operation Iraqi Freedom: DoD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed
GAO	GAO-07-903	10/4/2007	Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Management Risk
USAAA	A-2-8-0145-ALL	3Q/FY 2008	Management of Shipping Containers in Southwest Asia—Continental United States
USAAA	A-2008-0172-ALM	3Q/FY 2008	Time Sensitive Issue—Automatic Reset Induction Overstatement of Field Reset Requirements
USAAA	A-2008-0160-ALM	3Q/FY 2008	Reset Metrics—Lessons Learned
USAAA	A-200800109-FFM	3Q/FY 2008	Accounting for Seized Assets and Development Fund for Iraq Balances
USAAA	A-2008-0142-AML	3Q/FY 2008	Operational Loss Requirements
USAAA	A-2008-0120-ALM	4/30/2008	Reset Metrics—Field Level Reset
USAAA	A-2008-0098-ALL	4/3/2008	Management of Shipping Containers in Southwest Asia—Iraq
USAAA	A-2008-0091-ALL	3/31/2008	Internal Controls Over Contracted Dining Facility Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAAA	A-2008-0090-ALL	3/20/2008	Supply Activities (H-Sites), Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAAA	A-2008-0077-ALL	3/20/2008	Contract Administration Over Contracted Dining Facility Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAAA	A-2008-0085-ALL	3/18/2008	Class III (Bulk and Retail) Fuel Operations in the Iraq Area of Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAAA	A-2008-0075-ALL	3/12/2008	Contractor-Acquired Property, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAID	E-267-08-003-P	6/24/2008	Audit of USAID/Iraq's Management of Its Official Vehicle Fleet
USAID	E-267-08-002-P	4/3/2008	Audit of USAID/Iraq's Marla Ruzicka War Victims Assistance Fund

TABLE 4.1

## ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2008

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT DESCRIPTION
DoD	D2008-D00LH-0235.000	6/26/2008	Contracting for Purchased and Leased Nontactical Vehicles in Support of Operation Iraqi Freedom and Operation Enduring Freedom
DoD	D2008-D000FH-0225.000	6/20/2008	The U.S. Air Force Deferred Maintenance on the C-130 Aircraft as a Result of the Global War on Terror
DoD	D2008-D000CH-0236.000	6/19/2008	The Army Procurements for the High Mobility Multi-Purpose Wheeled Vehicles
DoD	D2008-D000CE-0221.000	6/9/2008	DoD and DoD Contractor Efforts to Prevent Sexual Assault/Harassment Involving Contractor Employees Within Operations Enduring Freedom and Iraqi Freedom Areas of Operation
DoD	D2008-D000FC-0208.000	6/9/2008	Controls Over Unliquidated Obligations on Department of the Air Force Contracts Supporting the Global War on Terror
DoD	D2008-D000FJ-0210.000	5/30/2008	Department of the Army Deferred Maintenance on the Abrams Tank Fleet as a Result of the Global War on Terror
DoD	D2008-D000FD-0214.000	5/20/2008	Defense Logistics Agency Contracts for Combat Vehicle Parts in Support of the Global War on Terror
DoD	D2008-D000JC-0203.000	5/12/2008	Assignment and Training of Contracting Officer's Representatives at Joint Contracting Command-Iraq/Afghanistan
DoD	D2008-D000JC-0202.000	5/12/2008	Air Force Contract Augmentation Program in Southwest Asia
DoD	D2008-D000FC-0189.000	5/13/2008	Controls Over the Department of the Navy Military Payroll Disbursed in Support of the Global War on Terror
DoD	D2008-D000AB-0193.000	4/24/2008	Organic Ship Utilization in Support of the Global War on Terror
DoD	D2008-D000CE-0187.000	4/23/2008	Acquisition of Ballistic Glass for the High-Mobility Multipurpose Wheeled Vehicle
DoD	D2008-D000JC-0186.000	4/23/2008	Class III Fuel Procurement and Distribution in Southwest Asia
DoD	D2008-D000AE-0174.000	3/10/2008	Marine Corps Implementation of the Urgent Universal Need Statement Process for Mine Resistant Ambush Protected Vehicles
DoD	D2008-D000CK-0161.000	2/26/2008	War Reserve Materiel Contract
DoD	D2008-D000FP-0132.000	2/25/2008	Internal Controls over Army, General Fund, Cash and Other Monetary Assets Held in Southwest Asia
DoD	D2008-D000AB-0133.000	2/19/2008	Air Force Combat Search and Rescue Helicopter
DoD	D2008-000IG-0141.000	2/13/2008	Accountability of Munitions Provided to the Security Forces of Iraq-Phase II
DoD	D2008-D000CG-0123.000	2/7/2008	Price Reasonableness for Contracts at U.S. Special Operations Command
DoD	D2007-D000LA-0199.002	1/24/2008	Controls Over the Contractor Common Access Card Life Cycle in Southwest Asia
DoD	D2008-D000LQ-0111.000	1/8/2008	Equipment Status of Forces Deployed in Support of Operation Iraqi Freedom
DoD	D2008-D000FI-0083.000	12/27/2007	Controls over the Reporting of Transportation Costs in Support of the Global War on Terror
DoD	D2008-D000FE-0106.000	12/19/2007	Defense Emergency Response Fund for the Global War on Terror
DoD	D2008-D000LF-0093.000	11/28/2007	Medical Equipment Used To Support Operations in Southwest Asia
DoD	D2008-D000AB-0091.000	11/27/2007	Expeditionary Fire Support System and Internally Transportable Vehicle Programs
DoD	D2008-D000AS-0044.000	10/16/2007	Security Over Radio Frequency Identification
DoD	D2008-D000FJ-0014.000	10/11/2007	Small Arms Ammunition Fund Management in Support of the Global War on Terror
DoD	D2008-D000AS-0022.000	10/5/2007	Contracts for Supplies Requiring Use of Radio Frequency Identification
DoD	D2008-D000FJ-0006.000	9/20/2007	Payments for Transportation Using PowerTrack®
DoD	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoD	D2007-DINT01-0092.003	8/31/2007	Audit of the Management of Signals Intelligence Counterterrorism Analysts

# OTHER AGENCY OVERSIGHT

## ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2008

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT DESCRIPTION
DoD	D2007-D000XA-0249.000	8/22/2007	Summary of Issues Impacting Operations Iraqi and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007
DoD	D2007-D000CK-0256.000	8/17/2007	Defense Hotline Allegations Concerning Contracts Issued by U.S. Army TACOM Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division
DoD	D2007-D000LA-0199.001	8/14/2007	Controls over the Contractor Common Access Card Life Cycle
DoD	D2007-D000LG-0228.000	8/6/2007	End-Use Monitoring of Defense Articles and Services Transferred to Foreign Customers
DoD	D2007-D000IG-0239.000	7/27/2007	Accountability of Munitions Provided to the Security Forces of Iraq
DoD	D2007-D000CK-0230.000	7/13/2007	Procurement and Delivery of Joint Service Armor Protected Vehicles
DoD	D2007-D000FB-0198.000	6/19/2007	Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Trust Fund
DoD	D2007-D000CK-0201.000	6/18/2007	Operations and Maintenance Funds Used for Global War on Terror Military Construction Contracts
DoD	D2007-DINT01-0092.001	6/14/2007	Review of Intelligence Resources at the Joint Intelligence Task Force Combating Terrorism and Special Operations Command in Support of Operation Enduring Freedom and Operation Iraqi Freedom
DoD	D2007-D000LD-0129.000	4/13/2007	Marine Corps' Management of the Recovery and Reset Programs
DoD	D2007-D000FN-0142.000	2/27/2007	Internal Controls over Navy General Fund, Cash, and Other Monetary Assets Held Outside the Continental United States
DoD	D2007-D000LH-0108.000	1/5/2008	DoD Training for U.S. Ground Forces Supporting Operation Iraqi Freedom
DoD	D2007-D000LC-0051.000	12/14/2006	Hiring Practices Used To Staff the Iraqi Provisional Authorities
DoD	D2006-D000AE-0241.000	8/4/2006	DoD Use of GWOT Supplemental Funding Provided for Procurement and Research, Development, Test and Evaluation
DoD	D2006-D000LG-0136.000	3/1/2006	Export Controls Over Excess Defense Articles
	D2005-DINT01-0122	2/14/2005	U.S. Government's Relationship with the Iraqi National Congress
DoD	D2006-DIPOE3-0038	Not Reported	Reach Back Support to Inspectors General of the Iraqi Security Forces (ISF)
DoS	08 MER03005	6/2008	Review of the Activities of DynCorp International and Triple Canopy under the State Department's Worldwide Personal Protective Service Contracts (WPPS) in Iraq
DoS	08 MER03004	6/2008	Review on the Implementation of Recommendations from the Report of the Secretary of State's Panel on Personal Protective Services in Iraq (commonly known as the Kennedy Report on Personal Protective Service (WPPS) in Iraq
DoS	08 MER03003	6/2008	Review on the Role, Staffing, and Effectiveness of Diplomatic Security in the Development and Implementation Personal Protective Services (PPS) in Iraq
DoS	07AUD3034	4/2007	Review of Procurement Competition: New Embassy Compound Baghdad
DoS	08AUD-3016	3/2008	Joint Review of Blackwater Contract for Worldwide Personal Protective Services
DoS	08AUD3023	6/2008	Audit of Contract Administration, NEC Baghdad
GAO	351231	6/2008	Joint IED Defeat Organization (JIEDDO) Technology Assessment Management
GAO	351230	6/2008	Joint IED Defeat Organization (JIEDDO) Strategic Management
GAO	351236	6/2008	Urgent Wartime Requirements
GAO	351172	3/2008	Fuel Demand at Forward Locations
GAO	320587	3/2008	Status of Economic Support Funds for Iraq
GAO	N/A	3/2008	Progress in Achieving U.S. Goals in Iraq

## ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2008

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT DESCRIPTION
GAO	120724	2/2008	Contracting in Iraq and Afghanistan
GAO	320572	1/2008	Staffing of Provincial Reconstruction Teams in Iraq and Afghanistan
GAO	351155	1/2008	Analysis of DoD's Fiscal Year 2008 Costs and Funding for Global War on Terrorism
GAO	320557	12/2007	Iraqi Security Forces and the Transfer of Security Responsibilities
GAO	N/A	11/2007	U.S. and International Assistance for Iraq Refugees and Internally Displaced Persons (IDPs)
GAO	351086	10/2007	DoD Plans for Unmanned Aircraft
GAO	351076	8/2007	Body Armor Programs and Testing
GAO	351083	8/2007	Use of Private Security Contractors in Iraq
GAO	351092	8/2007	Planning for Iraq Drawdown
GAO	N/A	8/2007	DoD Use of Individual Augmentees
GAO	351054	7/2007	Commander's Emergency Response Program
GAO	N/A	7/2007	U.S. Forces Rotation Readiness
GAO	351062	6/2007	Sexual Assault in DoD
GAO	N/A	4/2007	Deployed Soldiers Medical Status
GAO	351016	3/2007	Joint IED Defeat Organization (JIEDDO) Processes to Coordinate Counter-Improvised Explosive Devices (IED) Intelligence Support
GAO	320461	10/2006	Efforts To Stabilize Iraq and Achieve Conditions To Allow the Drawdown of U.S. Troops
USAAA	A-2007-ALL-0081.002	2Q/FY 2007	Followup Audit of Asset Visibility and Container Management
USAAA	A-2007-ALL-0081.003	2Q/FY 2007	Management of Shipping Containers in SWA-Kuwait
USAAA	A-2007-ALL-0081.005	2Q/FY 2007	Management of Shipping Containers in SWA-Afghanistan
USAAA	A-2007-ALL-0858.000	3Q/FY 2007	Retrograde Operations in SWA-Kuwait
USAAA	A-2007-ALL-0858.001	4Q/FY 2007	Retrograde Operations in SWA-Kuwait (Rear Support)
USAAA	A-2007-ALL-0887.002	4Q/FY 2007	Contracting Operations at the Joint Contracting Command-Iraq/Afghanistan - Victory
USAAA	A-2008-ALL-0201.001	1Q/FY 2008	CID Assist-Government Furnished Equipment - CSSC-K
USAAA	A-2007-ALR-0259.002	2Q/FY 2008	Container Detention Billing for the Global War on Terrorism, Military Surface Deployment and Distribution Command
USAAA	A-2007-FFF-0415.000	2Q/FY 2007	Use of Role Players at Combat Training Centers (CTCs)
USAAA	A-2007-FFS-0917.000	3Q/FY 2007	Temporary Change of Station Orders and Housing for Mobilized Soldiers
USAAA	A-2007-ALA-0410.000	4Q/FY 2007	Rapid Fielding Initiative (RFI)
USAAA	A-2005-FFI-0487.000	4Q/FY 2005	Operational Purchases of IT Equipment, Systems and Services-Forces Command
USAAA	A-2005-FFI-0487.001	3Q/FY 2006	Operational Purchases of IT Equipment, Systems and Services-Iraq and Kuwait
USAAA	A-2007-FFD-0067.000	2Q/FY 2007	Body Armor Requirements
USAAA	A-2007-ALA-0978.000	4Q/FY 2007	Impact of Mine Resistant Ambush Protected Vehicle Acquisitions on Other Systems
USAAA	A-2008-ALM-0312.000	2Q/FY 2008	Automatic Reset Items-Retrograde
USAAA	A-2007-ALM-0306.000	3Q/FY 2007	Contracts for Reset
USAAA	A-2008-FFS-0101.000	2Q/FY 2008	Army Reserve Premobilization Training
USAAA	A-2008-FFS-0353.000	1Q/FY 2008	National Guard Premobilization Training
USAAA	A-2008-ALR-0307.000	2Q/FY 2008	Property Book Unit Supply Enhanced, 3rd Infantry Division (ID)
USAAA	A-2008-ALR-0360.000	2Q/FY 2008	Property Book Unit Supply Enhanced, 10th Mountain Division
USAAA	A-2008-ALR-0357.000	2Q/FY 2008	Property Book Unit Supply Enhanced, I Corps
USAAA	A-2008-FFF-0148.000	1Q/FY 2008	Use of Role Players Armywide (less Combat Training Centers (CTCs))

## OTHER AGENCY OVERSIGHT

### ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2008

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT DESCRIPTION
USAAA	A-2007-ALR-0259.001	3Q/FY 2007	Establishing Rates for Shipping Containers
USAAA	A-2007-ZBI-0344.003	1Q/FY 2008	Army Foreign Language Program-Contracting
USAAA	A-2008-ALM-0311.000	2Q/FY 2008	DOL Workload Supporting Reset
USAAA	A-2008-FFF-0044.000	2Q/FY 2008	Management of the Prepositioned Fleet at Combat Training Centers
USAAA	A-2008-ALR-0039.000	1Q/FY 2008	Property Book Unit Supply Enhanced; ACP
USAAA	A-2008-ALL-0201.002	3QR/FY 2008	CID Assist—Payments for Housing Support—Kuwait
USAAA	A-2008-ALL-0466.000	3QR/FY 2008	Follow Up of Offline Purchases
USAAA	A-2008-ALM-0313.000	3QR/FY 2008	Automatic Reset Items—Depot
USAAA	A-2008-ALM-0247.000	3QR/FY 2008	Sustainment of Left Behind Equipment
USAAA	A-2008-FFD-0098.000	3QR/FY 2008	Advanced Training for Explosive Ordnance Disposal Soldiers
USAAA	A-2008-ALL-0320.001	2Q/FY 2008	Contracting Operations at the Joint Contracting Command-Iraq/Afghanistan-Bagram
USAAA	A-2008-ALL-0319.000	2Q/FY 2008	Audit of Contracting Operations at the Joint Contracting Command-Iraq/Afghanistan-Balad
USAAA	A-2007-FFS-0553.000	4Q/FY 2007	Accountability of Contractors on the Battlefield
USAAA	A-2008-ALL-0318.000	2Q/FY 2008	Audit of Army Corps of Engineers Contracting Functions in Iraq (Gulf Region Division)
USAAA	A-2008-ALL-0204.000	2Q/FY 2008	Audit of Government Property Provided to Contractors—Kuwait Base Operations
USAAA	A-2007-ALL-0081.000	4Q/FY 2006	Management of Shipping Containers in Southwest Asia Summary
USAAA	A-2007-ALL-0887.001	4Q/FY 2007	Audit of Joint Contracting Command-Iraq-Baghdad
USAAA	A-2007-ALL-0212.001	4Q/FY 2007	Audit of LOGCAP Operations in Support of OIF-Power Generators
USAAA	A-2007-ALL-0329.000	1Q/FY 2007	Audit of U.S. Army Contracting Command Southwest Asia-Kuwait
USAAA	A-2006-ALL-0397.000	3Q/FY 2006	Retrograde Operations in Southwest Asia
USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Community Action Program
USAID	Not Reported	Not Reported	USAID/Iraq's Agribusiness Program
USAID	Not Reported	Not Reported	USAID/Iraq's National Capacity Development Program
USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Monitoring and Evaluation Performance Program

TABLE 4.2

### STATUS OF INVESTIGATIVE ACTIVITIES FROM OTHER U.S. AGENCIES, AS OF 6/30/2008

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	6	4	98
Defense Criminal Investigative Service	3	2	124
Department of State Office of Inspector General	0	0	4
Federal Bureau of Investigation	3	1	69
U.S. Agency for International Development	2	0	12
<b>Total</b>	<b>14</b>	<b>7</b>	<b>307</b>

TABLE 4.3



## ENDNOTES

1. Congressional Budget Office, "Paying for Iraq Reconstruction," January 2004.
2. International Compact with Iraq, "A New Beginning: Annual Review," May 2007–April 2008, p. 59, [www.iraqcompact.org](http://www.iraqcompact.org).
3. International Compact with Iraq, "A New Beginning: Annual Review," May 2007–April 2008, p. 35, [www.iraqcompact.org](http://www.iraqcompact.org).
4. Ministry of Finance, *Capital Report*, March 2008.
5. Funding data has been compiled from: OSD, response to SIGIR data call, July 9, 2008; DoS, *Iraq Weekly Status Report*, July 2, 2008; ITAO, response to SIGIR data call, January 4, 2008; GRD, response to SIGIR data call, July 2, 2008; USAID, responses to SIGIR data call, June 29, 2008, and July 17, 2008; ITAO, *Essential Indicators Report*, July 10, 2008; MNC-I, response to SIGIR data call, April 9, 2008. Funding to Security-related activities includes ESF allocations to Security track programs (over \$1.9 billion); IRRF 2 allocations under the Security and Law Enforcement and Justice and Civil Society sectors (nearly \$7.3 billion); CERP allocations under the Battle Damage, Law & Governance, Civic Infrastructure Repair, Condolence Payments, Protective Measures, and Detainee Release Payments sectors (approximately \$0.5 billion); and total ISFF appropriations of approximately \$17.9 billion (which includes FY 2008 Supplemental and FY 2009 Bridge funding). ISF training figures total 496,728, per the DoS *Iraq Weekly Status Report* of July 16, 2008.
6. DoS, *Iraq Weekly Status Report*, July 16, 2008, reports 496,728 trained ISF.
7. DoD, *Measuring Stability and Security in Iraq*, June 2008.
8. Testimony of Gen. James Dubik, Commanding General, Multi-National Security Transition Command – before the House Armed Services Committee, July 9, 2008.
9. International Compact with Iraq, "A New Beginning: Annual Review," May 2007–April 2008, p. 21, [www.iraqcompact.org](http://www.iraqcompact.org).
10. International Compact with Iraq, "A New Beginning: Annual Review," May 2007–April 2008, pp. 46–47, [www.iraqcompact.org](http://www.iraqcompact.org).
11. Briefing Transcript – MNF-I, MGen. Tim McHale, Director for Personnel, Logistics & Resources, July 16, 2008.
12. MNF-I, Energy Fusion Cell, *Energy Analysis Overview*, July 12, 2008.
13. ITAO, *Essential Indicators Report*, July 18, 2008.
14. International Compact with Iraq, "A New Beginning: Annual Review," May 2007–April 2008, p. 14, [www.iraqcompact.org](http://www.iraqcompact.org).
15. U.S. Treasury, response to SIGIR data call, June 29, 2008.
16. U.S. Embassy Notice, May 26, 2008
17. SIGIR Visit to Diyala PRT, June 13, 2008
18. U.S. Embassy Baghdad, "Press Release," June 24, 2008, [http://iraq.usembassy.gov/pr\\_06242008.html](http://iraq.usembassy.gov/pr_06242008.html).
19. Multi-National Corps-Iraq, "Press Release," June 23, 2008, [www.mnf-iraq.com](http://www.mnf-iraq.com).
20. Committee to Protect Journalists, [www.cpj.org/deadly/killed08.html#iraq](http://www.cpj.org/deadly/killed08.html#iraq).
21. P.L. 110-252 Committee Report, Supplemental Appropriations Act, 2008, June 30, 2008.
22. UNAMI Press Release, "The World Health Organization Establishes Permanent Office in Baghdad," June 28, 2008, [www.uniraq.org/newsroom](http://www.uniraq.org/newsroom).
23. U.S. Department of Homeland Security, "USCIS Announces New Immigrant Visa for Certain Iraqi Nationals Who Worked for the U.S. Government," July 9, 2008.
24. OMB reported these changes under P.L. 110-28 to SIGIR on May 30, 2008:
  - The CERP appropriation total under P.L. 110-28 was increased by \$25.4 million.
  - The Iraqi Freedom Fund total was decreased by \$100 million.
 OMB reported these changes under P.L. 110-61 to SIGIR on June 18, 2008:
  - The total for USAID OIG was increased by \$0.26 million.
  - The ESF total was increased by \$14.88 million.
  - The NADR total was decreased by \$0.03 million.
  - The total for Educational and Cultural Exchange Programs was increased by \$6.95 million.
  - The total for USAID OIG was increased by \$3.03 million.
  - The total for DoS OIG was increased by \$240,000.
 OMB also reported these changes on June 18, 2008, under the FY 2007 Foreign Assistance Continuing Resolutions:
  - The total for Educational and Cultural Exchange Programs was decreased by \$13.85 million.
  - The total for USAID OIG was increased by \$540,000.
  - The total for DoS OIG was increased by \$1.50 million.

P.L. 110-252 was enacted on June 30, 2008, providing an additional \$4.17 billion for U.S. appropriations for Iraq relief and reconstruction, as reported by OMB. This total includes an estimate of \$800 million appropriated to the CERP under the Supplemental Act, 2008 (P.L. 110-252), as provided by OSD/Policy in response to SIGIR on July 16, 2008.



The net effect of these actions was to revise upward by \$4.16 billion the total U.S. appropriations for Iraq relief and reconstruction reported by SIGIR in the April 2008 Quarterly Report. This quarter, SIGIR reports a total of \$50.46 billion.

25. P.L. 110-252, "Supplemental Appropriations Act, 2008, June 30, 2008," June 2008.
26. This total also reflects the \$50 million rescission.
27. ITAO, response to SIGIR data call, April 3, 2008.
28. USAID, "Economic Support Fund," [www.usaid.gov/policy/budget/cbj2007/an/esf.html](http://www.usaid.gov/policy/budget/cbj2007/an/esf.html).
29. Estimate of \$800 million appropriated to the CERP under P.L. 110-252 was provided by OSD/Policy in response to SIGIR on July 16, 2008.
30. MNC-I, *Money As a Weapon System*, May 2008 p. B-2.
31. Complete FY 2004 CERP obligation and expenditure data was not provided in time for the publication of this Quarterly Report. SIGIR will provide more detailed reporting in the October Quarterly Report.
32. U.S. Treasury, response to SIGIR data call, July 2, 2008; GOI, "Republic of Iraq: Budget Revenues and Expenses 2003, July–December"; GOI, "Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005."
33. DoS, *Iraq Weekly Status Report*, July 2, 2008.
34. NEA-I, response to SIGIR data call, July 2, 2008.
35. In conjunction with the International Compact, \$23 million in grants and \$1.7 billion in loan assistance has been pledged.
36. For the purposes of this Report, all total appropriation figures include all funds made available through the Supplemental Appropriations Act, 2008 (P.L. 110-252).
37. The term "reconstruction" encompasses a broad range of programs and operations beyond brick-and-mortar rebuilding that are funded by these appropriations. In addition to specific oversight of the IRRF, ISFF, and CERP, SIGIR's expanded oversight mandate includes funds appropriated "for the assistance for the reconstruction of Iraq" under the ESF, INL, or "any other provision of law." P.L. 108-106 (as amended), Section 3001(m).
38. For the purposes of this Report, discussion of ESF, CERP, and INL only refer to the portions allocated specifically for reconstruction in Iraq.
39. All IRRF 2 total funds reported in this section have been adjusted to reflect the congressional rescission of \$50 million.
40. Expenditure calculations do not include funds made available in the Supplemental Appropriations Act, 2008, P.L. 110-252, June 30, 2008.
41. ITAO, response to SIGIR data call, October 8, 2007.
42. GAO Report 08-578, "Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State," May 2008.
43. GAO Report 08-578, "Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State," May 2008.
44. GAO Report 08-578, "Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State," May 2008.
45. GAO Report 08-578, "Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State," May 2008.
46. ITAO, response to SIGIR data call, June 30, 2008.
47. SIGIR 08-020, "Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts," July 2008.
48. SIGIR Report 08-013, "Interim Report on Iraq Reconstruction Contract Terminations," April 28, 2008.
49. Percentage does not include appropriations under P.L. 110-252.
50. Major General Timothy P. McHale, Director of Personnel, Logistics and Resources, Multi-National Force-Iraq, "Iraqi First Programs," July 16, 2008.
51. Major General Timothy P. McHale, Director of Personnel, Logistics and Resources, Multi-National Force-Iraq, "Iraqi First Programs," July 16, 2008.
52. JCC-I/A, responses to SIGIR data calls, January 4, 2008, and July 2, 2008.
53. MNC-I, "I-BIZ Concept Briefing," slide 6, May 1, 2008.
54. U.S. Army, "Balad Opens Iraqi-Based Industrial Zone Service Center," June 24, 2008, [www.army.mil](http://www.army.mil).
55. ITAO, response to SIGIR data call, June 30, 2008.
56. ITAO, response to SIGIR data call, June 30, 2008.
57. ITAO, response to SIGIR data call, June 30, 2008.
58. ITAO, response to SIGIR data call, June 30, 2008.
59. DoS, *Iraq Weekly Status Report*, July 2, 2008.
60. All lists and analyses of reconstruction projects in this Report are based on information provided by the Iraq Reconstruction Management System (IRMS). SIGIR has reported on multiple occasions that IRMS data is not accurate or complete.
61. P.L. 110-252, "Supplemental Appropriations Act, 2008," June 30, 2008.
62. OSD, "Fiscal Year 2008 Security Forces Fund, Justification for Amended Iraq Security Forces Fund (ISFF)," October 2007.
63. DoD, "Revised Spend Plan for the FY 2007 Iraq Security Forces Fund (ISFF)," April 3, 2008.
64. SIGIR 08-022, "Government of Iraq Increasingly Funding Iraq Security Forces Infrastructure Development, but Substantial U.S. Support Remains," July 2008.
65. SIGIR 08-022, "Government of Iraq Increasingly Funding Iraq Security Forces Infrastructure Development, but Substantial U.S. Support Remains," July 2008.
66. MNF-I, response to SIGIR data call, July 7, 2008.
67. MNF-I, response to SIGIR data call, July 7, 2008.
68. MNF-I, response to SIGIR data call, July 7, 2008.
69. MNF-I, response to SIGIR data call, July 7, 2008.
70. The distribution of funds among provinces is based on a number of factors—including the current capacity of the province, the population of that province, and the location of U.S. personnel—and does not solely indicate program priorities.
71. Explanatory Statement Submitted by Senator Robert C. Byrd, Chairman of the Senate Committee on Appropriations, Regarding the House Amendment to the Senate Amendment to House Amendment Number 2 to the Senate Amendment to H.R. 2642.

72. To provide consistency in the terminology used to discuss U.S. funds, SIGIR considers ESF “obligations” for interagency agreements as funds “committed.” SIGIR views funds that have been actually awarded under contracts as “obligated.” For a cross-reference of budget terminology among U.S. agencies and funds, see Appendix D.
73. USAID Report No. E-267-08-001-P, “Audit of USAID/Iraq’s Community Stabilization Program,” March 18, 2008, p. 1-2.
74. USAID Report No. E-267-08-001-P, “Audit of USAID/Iraq’s Community Stabilization Program,” March 18, 2008, p. 1-2.
75. USAID Report No. E-267-08-001-P, “Audit of USAID/Iraq’s Community Stabilization Program,” March 18, 2008, p. 1-2.
76. ITAO, response to SIGIR data call, June 30, 2008.
77. ITAO, response to SIGIR data call, June 30, 2008.
78. The distribution of funds among provinces is based on a number of factors—including the current capacity of the province, the population of that province, and the location of U.S. personnel—and does not solely indicate program priorities.
79. P.L. 110-252 was enacted on June 30, 2008, providing an additional \$4.17 billion for Iraq reconstruction. The estimate of \$800 million appropriated to the CERP under the Supplemental was provided by OSD/Policy in a response to SIGIR on July 16, 2008.
80. Complete FY 2004 CERP obligation and expenditure data was not provided in time for the publication of this Quarterly Report. SIGIR will provide more detailed reporting in the October Quarterly Report.
81. GAO Report 08-736R, “Military Operations: Actions Needed to Better Guide Project Selection for Commander’s Emergency Response Program and Improve Oversight in Iraq,” June 23, 2008.
82. MNC-I, *Money As a Weapon System*, May 2008.
83. MNC-I, *Money As a Weapon System*, May 2008.
84. MNC-I, *Money As a Weapon System*, May 2008.
85. ITAO, response to SIGIR data call, June 30, 2008.
86. GAO Report 08-736R, “Military Operations: Actions Needed to Better Guide Project Selection for Commander’s Emergency Response Program and Improve Oversight in Iraq,” June 23, 2008, p. 3.
87. GAO Report 08-736R, “Military Operations: Actions Needed to Better Guide Project Selection for Commander’s Emergency Response Program and Improve Oversight in Iraq,” June 23, 2008.
88. IRMS, CERP Excel Workbook, June 30, 2008.
89. The distribution of funds among provinces is based on a number of factors, including the current capacity of the province, the population of that province, and the location of U.S. personnel; it does not solely indicate program priorities.
90. DoS, *Iraq Weekly Status Report*, June 4, 2008.
91. SIGIR Report 08-020, “Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts,” July 2008.
92. For examples of myriad budget execution workshops held throughout the country, see the Local Governance Program’s website at [www.lgp-iraq.org](http://www.lgp-iraq.org).
93. International Compact with Iraq, “Annex IV, Section 4.1.2 Public Financial Management, B.4,” May 2007.
94. General Secretariat for the Council of Ministers, *Decision Memorandum (Extremely Urgent)*, February 5, 2008.
95. General Secretariat for the Council of Ministers, *Decision Memorandum (Extremely Urgent)*, February 5, 2008.
96. DoS, “Background Information on Iraqi Ministries,” May 12, 2008, [www.careers.state.gov/iraq-jobs/ministries.html](http://www.careers.state.gov/iraq-jobs/ministries.html).
97. DoS, *Iraq Weekly Status Report*, July 9, 2008, p. 11.
98. SIGIR does not include commitments in reporting capital budget expenditures.
99. GAO Report 08-837, “Securing, Stabilizing, and Rebuilding Iraq: Progress Report: Some Gains Made, Updated Strategy Needed,” June 2008. GAO figure for the capital budget does not account for commitments recorded in the MOF’s capital report.
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101. GAO Report 08-837, “Securing, Stabilizing, and Rebuilding Iraq: Progress Report: Some Gains Made, Updated Strategy Needed,” June 2008, p. 49.
102. U.S. Treasury, response to SIGIR data call, June 29, 2008.
103. GAO Report 08-837, “Securing, Stabilizing, and Rebuilding Iraq: Progress Report: Some Gains Made, Updated Strategy Needed,” June 2008, p. 49.
104. NEA-I, response to SIGIR data call, July 17, 2008.
105. Ministry of Finance, *Monthly Expenditure Report*, March 2008.
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107. SIGIR Report 08-007, “Efforts to Implement a Financial Management Information System in Iraq,” January 25, 2008.
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109. International Compact with Iraq, “A New Beginning: Annual Review,” May 2007-April 2008, p. 27, [www.iraqcompact.org](http://www.iraqcompact.org).
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123. NEA-I, response to SIGIR data call, April 3, 2008. The Central Bank of Iraq's foreign exchange reserves totaled \$39.6 billion as of June 2008. U.S. Treasury, response to SIGIR data call, July 14, 2008.
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134. USAID, "Assistance for Iraq: Agriculture," May 16, 2007, [www.usaid.gov](http://www.usaid.gov).
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138. USDA, response to SIGIR data call, June 29, 2008.
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153. UN, "United Nations/World Bank Iraq Joint Needs Assessment," October 2003, p. 55.
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156. GRD, "Press Release: Connecting Iraq to the Telecommunications World," May 18, 2008.
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158. MNF-I response to SIGIR data call, July 7, 2008.
159. ITAO, response to SIGIR data call, July 6, 2008.
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161. Daily export and production averages for this quarter were compiled from the 30-day rolling averages reported by the Energy Fusion Cell (EFC) on April 30, May 29, and June 30, 2008. Oil production and export data provided by ITAO and the EFC has not been reconciled or adjusted for accuracy. The data provided is unofficial and meant only for general awareness. For official oil figures, visit the Ministry of Oil's website at [www.oil.gov.iq](http://www.oil.gov.iq).
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- 748. Under the Parsons contract, when the government terminates a task order for default, the U.S. government remains liable to Parsons' subcontractors for any unsettled amounts that are determined to be allocable, allowable, and reasonable.
- 749. Completed task orders, for purposes of this report, are defined as task orders where Parsons fulfilled its contractual obligations and finished work that was requested of them by the U.S. government.
- 750. Obligations refer to unpaid invoices and other commitments the U.S. government is obligated to pay.
- 751. Definization is the process whereby the U.S. government and the contractor reach agreement on the key terms and conditions of the task order, including scope of work, schedule, and cost.
- 752. Task Orders 50 and 52 were both for Central Court construction.
- 753. The Emergency Wartime Supplemental Appropriations Act, 2003 (Public Law 108-11) became law on April 16, 2003. It made available \$3.43 billion for Iraq reconstruction activities and for other purposes.
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**Sources for the graphics shown in the insert to this Report:**

- a. **Population:** UNOCHA, “Iraq-Population by Governorate,” November 19, 2007.
- b. **Religion:** IOM, “IOM Displacement Data Used for Associated Press Interactive Website,” May 2008, [www.iom-iraq.net](http://www.iom-iraq.net). Percentages are approximate and are based on the population numbers provided by UNOCHA.
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- d. **U.S. Project Costs:** U.S. Projects, IRMS, *ITAO Rollup*, July 7, 2008; IRMS, CERP Excel Workbook, June 30, 2008; USAID, *Activities Report*, July 16, 2008. Figures include project counts and project costs for ongoing and completed projects, and account for the IRRF, ISFF, ESF, and CERP funds. Total U.S. Projects and Project Costs include both provincial and nationwide projects.
- e. **Reconstruction Projects:** IRMS, *ITAO Rollup*, July 7, 2008; USAID, *Activities Report*, July 16, 2008. The projects listed in the table are compiled from data made available on IRRF, ISFF, ESF, and CERP projects. This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of the costs based on reporting provided to SIGIR. IRMS is an unaudited source.
- f. **Iraq Electricity:** ITAO, *IRMO Electricity Daily Units Performance Report*, April 1, 2008–June 29, 2008; ITAO, *Weekly Status Reports*, April 1, 2008–June 29, 2008. Numbers are affected by rounding. The pre-war level (4,075 MW) is an average of monthly IMF data for Iraq’s electricity production for March 2002 through March 2003. IMF, “Statistical Appendix,” August 2007.
- g. **Oil Revenue:** DoS, *Iraq Weekly Status Report*, July 2, 2008. Estimated oil revenue of about \$70 billion listed for 2008, was annualized from the over \$33 billion in estimated year-to-date oil revenue, according to the DoS, *Iraq Weekly Status Report*, as of July 2, 2008. DoS, *Iraq Weekly Status Report*, January 4, 2006.
- h. **Oil Price:** U.S. Energy Information Administration, “World Crude Oil Prices: OPEC Average,” July 9, 2008. NEA-I, response to SIGIR data call, April 16, 2008. Iraq does not receive the OPEC average for its oil.
- i. **Oil Exports:** ITAO, *Monthly Import, Production and Export Spreadsheet*, April 2008; Energy Fusion Cell, Daily Oil Report, April 1, 2008–June 29, 2008. Daily export and production averages for this quarter were compiled from the 30-day rolling averages reported by the Energy Fusion Cell (EFC) on April 30, May 29, and June 30, 2008. Oil production and export data provided by ITAO for the SIGIR Quarterly Report has not been reconciled or adjusted for accuracy. The data provided is unofficial and meant only for general awareness. For official oil figures, visit the Ministry of Oil’s website at [www.oil.gov.iq](http://www.oil.gov.iq).
- j. **PIC Transfer Data:** MNF-I, response to SIGIR data call, July 12, 2008; DoD Press Briefing with Secretary of Defense Robert Gates and Admiral Mike Mullen, July 16, 2008, [www.defenselink.mil/transcripts/](http://www.defenselink.mil/transcripts/).
- k. **Security Incidents:** MNF-I, “SIGACTS Database (Coalition Forces Reports),” as of July 19, 2008. Data begins in January 4, 2004 and includes potential attacks (IEDs/mines found and cleared) and executed attacks, including attacks against Iraqi infrastructure and government organizations; bombs (IEDs and mines), both found and detonated; sniper, ambush, grenade, and other small arms attacks; and mortar, rocket, and surface-to-air attacks.
- l. **Number of ISF Trained:** DoD, *Measuring Stability and Security in Iraq*, July 2005, October 2005, February 2006, May 2006, August 2006, November 2006, March 2007, June 2007, September 2007, December 2007, March 2008, and June 2008. Cumulative number of Iraqi Army, Air Force, Navy, Iraqi Police, National Police, Border Enforcement, and Special Operations personnel.
- m. **Major U.S. Funds Supporting Iraq Reconstruction:**
  - a. IRRF 1: USAID, response to SIGIR data call, July 10, 2008; U.S. Treasury, response to SIGIR data call, July 3, 2008; USTDA, response to SIGIR data call, July 1, 2008; DoS, response to SIGIR data call, April 5, 2007; DFAS, response to SIGIR data call, July 7, 2008.
  - b. IRRF 2: DoS, *Iraq Weekly Status Report*, July 2, 2008.
  - c. ISFF: OSD, response to SIGIR data call, July 9, 2008. Under Public Law (P.L.) 110-252, the Supplemental Appropriations Act, 2008, appropriations were made available through FY 2008 supplemental funding as well as FY 2009 bridge funds. For the purposes of this report, total appropriations refer to all funds under P.L. 110-252 unless otherwise noted.
  - d. ESF: DoS, *Section 2207 Report*, October 2007; ITAO, responses to SIGIR data call, January 4, 2008, June 29, 2008, and July 7, 2008; GRD, response to SIGIR data call, July 2, 2008; USAID, responses to SIGIR data call June 29, 2008, July 1, 2008, July 15, 2008, and July 17, 2008; ITAO, *Essential Indicators Report*, July 10, 2008; OMB, response to SIGIR data call, January 2, 2008. Under Public Law (P.L.) 110-252, the Supplemental Appropriations Act, 2008, appropriations were made available through FY 2008 supplemental funding as well as FY 2009 bridge funds. For the purposes of this report, total appropriations refer to all funds under P.L. 110-252 unless otherwise noted.
  - e. CERP: OSD, response to SIGIR data call, July 18, 2008. Complete FY 2004 CERP obligations and expenditure data was not provided in time for the publication of this Quarterly Report.
- n. **U.S. vs. GOI Reconstruction Funding:** Republic of Iraq: Budget Revenues and Expenses 2003, July-December; Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005; GOI 2006 Budget (as approved by TNA and written into law December 2005); U.S. Treasury, responses to SIGIR data call, October 15, 2007; GOI Budget 2008: Overview of Revenue and Expenditure, 2007-2008. Ministry of Finance, “Iraqi Federal Budget 2008,” provided by the U.S. Treasury, June 29, 2008. Numbers are affected by rounding. U.S. appropriations shown reflect cumulative totals of funds enacted in each calendar year.
  - a. 2003–2004 totals include the Iraqi capital budget, seized funds, vested funds, and DFI funds under CPA.
  - b. 2005–2008 Iraq totals include funds budgeted for capital projects.
- o. **Top Ten Contractors:** U.S. Army, Corps of Engineers Financial Management System, June 30, 2008; USAID, *Activities Report*, July 16, 2008; INL, response to SIGIR data call, July 3, 2008. This list is produced by compiling contract-level obligation data provided by GRD and USAID.
- p. **Rate of Total GOI Budget Execution:** United Kingdom Department for International Development, “Briefing on Budget Analysis,” September 16, 2007, received by SIGIR 2007; Ministry of Finance, “Iraqi Federal Budget 2008,” provided by the U.S. Treasury, June 29, 2008; DoS, *Iraq Weekly Status Report*, July 9, 2008, p.11. Ministry of Finance, “Iraqi Federal Budget 2007,” October 2007, provided to SIGIR on July 23, 2008. The graphic highlights Iraq’s budget and annual expenditure rates.



## ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in the SIGIR Quarterly and Semiannual Report to the Congress.

ACRONYM	DEFINITION
ABOT	Al Basrah Oil Terminal
ACCO	Anticorruption Coordination Office
AFCEE	Air Force Center for Engineering and the Environment
ATCT	Air Traffic Control Tower
BACC	Baghdad Area Control Center
BCT	Brigade Combat Team
BSA	Board of Supreme Audit
CAP	Community Action Program
CBI	Central Bank of Iraq
CCC	Central Contracts Committee
CCC-I	Central Criminal Court of Iraq
CERP	Commander's Emergency Response Program
COB	Contingency Operating Base
COL	Contingency Operating Location
COP	Combat Outpost
COS	Contingency Operating Site
Col	Commission on Integrity (previously known as Commission on Public Integrity)
CoM	Council of Ministers
Compact	International Compact with Iraq
CoR	Council of Representatives
COSIT	Central Organization for Statistics and Information Technology
COSQC	Central Organization for Standardization and Quality Control
CPA	Coalition Provisional Authority
CPATT	Civilian Police Assistance Training Team
CSP	Community Stabilization Program
CY	Calendar Year
DAD	Development Assistance Database
DBE	Department of Border Enforcement
DFI	Development Fund for Iraq
DG	Director General
DIB	Disputed Internal Boundary
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoJ	Department of Justice
DoS	Department of State

## ACRONYMS & DEFINITIONS

ACRONYM	DEFINITION
DoS OIG	Department of State Office of Inspector General
EFT	Electronic Funds Transfer
ePRT	Embedded Provincial Reconstruction Team
ESF	Economic Support Fund
FMIS	Financial Management Information System
FMS	Foreign Military Sales
FOB	Forward Operating Base
FRBNY	Federal Reserve Bank of New York
FY	Fiscal Year
GAO	Government Accountability Office
GD	General Directorate
GEO	Governorate Electoral Office
GOI	Government of Iraq
GRD	Gulf Region Division
GRS	Gulf Region South
GSM	Global System for Mobile
GWOT	Global War on Terror
HJC	Higher Juridical Council
IAA	Interagency Acquisition Agreement
IAMB	International Advisory and Monitoring Board
I-BIZ	Iraqi-Based Industrial Zone
ICBG	Iraqi Company for Bank Guarantees
I-CERP	Iraq-Commander's Emergency Response Program
ICITAP	International Criminal Investigative Training Assistance Program
ICS	Iraqi Corrections Services
IDA	International Development Association (World Bank)
IDP	Internally Displaced Person
IED	Improvised Explosive Device
IFES	International Foundation for Electoral Systems
IFMIS	Iraq Financial Management Information System
IG	Inspector General
IHEC	Independent High Electoral Commission
IIGC	Iraq Inspectors General Council
IJIP	Iraq Justice Integration Project
IMF	International Monetary Fund
IMPACT	Immediate Action for Vulnerable Children and Family
INCLE	International Narcotics Control and Law Enforcement Fund (INL)
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
IPA	International Police Advisor
IPS	Iraqi Police Service
IRAP	Iraq Rapid Assistance Program
IRFFI	International Reconstruction Fund Facility for Iraq
IRMS	Iraq Reconstruction Management System
IRR	Iraq Republic Railway

ACRONYM	DEFINITION
IRRF	Iraq Relief and Reconstruction Fund
IRRF 1	Iraq Relief and Reconstruction Fund
IRRF 2	Iraq Relief and Reconstruction Fund
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ITAO	Iraq Transition Assistance Office
JACC	Joint Anti-Corruption Council
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
JCTSR	Joint Committee to Transfer Security Responsibility
JHQ-AT	Joint Headquarters+B167-Advisory Team
JPS	Judicial Protection Service
JTERP	Joint Technical Education and Reintegration Program
KBL	Kirkuk Brotherhood List
KBR	Kellogg Brown and Root Services, Inc.
km	Kilometer
KRG	Kurdistan Regional Government
kV	Kilovolt
LES	Locally Engaged Staff
LGP	Local Governance Program
MAAWS	Money as a Weapon System
MBPD	Million Barrels Per Day
MCC	Major Crimes Court
MCTF	Major Crimes Task Force
MFA	Ministry of Foreign Affairs
MIM	Ministry of Industry and Minerals
MMPW	Ministry of Municipalities and Public Works
MNC-I	Multi-National Corps-Iraq
MND	Multi-National Division
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MOA	Ministry of Agriculture
MOD	Ministry of Defense
MoDM	Ministry of Displacement and Migration
MOE	Ministry of Electricity
MOF	Ministry of Finance
MoHR	Ministry of Human Rights
MOI	Ministry of Interior
MOI-TT	Ministry of Interior Transition Team
MoPDC	Ministry of Planning and Development Cooperation

## ACRONYMS & DEFINITIONS

ACRONYM	DEFINITION
MOT	Ministry of Transportation
MOWR	Ministry of Water Resources
MSME	Micro-, Small-, and Medium-enterprise
MW	Megawatt
MWh	Megawatt-hour
NCO	Non-commissioned Officer
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NGO	Non-governmental Organization
NIC	National Investment Commission
NP	National Police
OECD	Organization for Economic Co-operation and Development
OFDA	Office of U.S. Foreign Disaster Assistance
OMB	Office of Management and Budget
OMS	Operations, Maintenance, and Sustainment
OPA	Office of Provincial Affairs
PAC	Procurement Assistance Center
PC	Provincial Council
PDS	Provincial Development Strategy
PEZ	Pipeline Exclusion Zone
PHC	Primary Healthcare Center
PIC	Provincial Iraqi Control
PKK	Kurdistan Workers' Party
P.L.	Public Law
PPAT	Provincial Procurement Assistance Teams
PRDC	Provincial Reconstruction Development Council
PRT	Provincial Reconstruction Team
PST	Provincial Support Team
QRF	Quick Response Fund
RLT	Regional Liaison Team
RTI	Research Triangle Institute
SBA	Stand-By Arrangement (IMF)
SIGIR	Special Inspector General for Iraq Reconstruction
SOE	State-owned Enterprise
SOI	Sons of Iraq
TFBSO	Task Force to Improve Business and Stability Operations
TIFRIC	Theater Internment Facility Reintegration Center
Treasury	U.S. Department of Treasury
UAE	United Arab Emirates
UN	United Nations
UNAMI	UN Assistance Mission for Iraq
UNCAC	UN Convention Against Corruption
UNDG	United Nations Development Group



ACRONYM	DEFINITION
UNDG ITF	United Nations Development Group Iraq Trust Fund
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	U.S. Agency for International Development Office of Inspector General
WB ITF	World Bank Iraq Trust Fund

